

7861.0210 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of chapters 7861, 7863, 7864, and 7865, the terms in this chapter have the meanings given them in this part or Minnesota Statutes, sections 349.11 to 349.23.

Subp. 2. **Agent of the organization.** "Agent of the organization" means a person who, by mutual consent of both parties, acts on behalf of the organization.

Subp. 3. **Bingo numbers.** "Bingo numbers" means the letter and number that correspond with one of the following letter and number combinations:

- A. bingo numbers with the letter "B" may only contain numbers 1 through 15;
- B. bingo numbers with the letter "I" may only contain numbers 16 through 30;
- C. bingo numbers with the letter "N" may only contain numbers 31 through 45;
- D. bingo numbers with the letter "G" may only contain numbers 46 through 60; and
- E. bingo numbers with the letter "O" may only contain numbers 61 through 75.

Subp. 4. **Bingo paper package.** "Bingo paper package" means a bingo paper sheet packet to which an organization has added individual bingo paper sheets, or means bingo paper sheets that an organization will sell as a single unit.

Subp. 5. **Bingo paper sheet.** "Bingo paper sheet" means a bingo sheet containing a face or faces that is manufactured from paper with or without preprinted numbers. A sealed bingo paper sheet and a linked bingo paper sheet are considered a bingo paper sheet. The following also apply to bingo paper sheets.

A. "Face number" refers to the number appearing on each bingo paper sheet face in a series that allows for the verification of a winning bingo paper sheet face against a master record containing all of the faces in the series.

B. "Series" means a specific group of faces that has been assigned consecutive face numbers by a manufacturer. Series are typically identified by the first and last face number in the group of faces, such as "1 to 9,000 series."

C. "ON's" means the number of bingo faces contained on a bingo paper sheet. For example, the term "twelve on" in reference to a bingo paper sheet means that the bingo paper sheet contains 12 bingo faces.

Subp. 6. **Bingo paper sheet packet.** "Bingo paper sheet packet" means a group of bingo paper sheets that is manufactured, collated, and sold by the manufacturer as a unit. Bingo paper sheet packets must not be sold as individual bingo paper sheets. When used in reference to a bingo paper sheet packet, the term "UP's" means the number of bingo paper sheets contained in a bingo paper sheet packet. For example, the term "twelve up" means that the bingo paper sheet packet contains 12 bingo paper sheets.

Subp. 7. **Bingo pattern.** "Bingo pattern" means a predetermined and preannounced arrangement **of at least four numbered** spaces ~~or numbers~~¹ to be covered on a bingo hard card, bingo paper sheet face, or facsimile of a bingo paper sheet by a player to win a bingo game.

Subp X. Bonus play. "Bonus play" means the continuation of an electronic pull-tab game for select winning tickets as allowed under the play of a multiple seal paper pull-tab game.

¹ Four numbered spaces is the minimum size of all traditional bingo patterns. Rule change is needed to prevent bingo game from mimicking Keno, which is not legal in Minnesota.

Subp. 8. **Breakopen bingo game.** "Breakopen bingo game" means a bingo game in which the organization randomly selects a predetermined quantity of bingo numbers and posts the selected bingo numbers. Sealed bingo paper sheets, or facsimiles of sealed bingo paper sheets used with an electronic bingo device, must be used with a breakopen bingo game.

Subp. 9. **Case paper.** "Case paper" means uncollated bingo paper sheets sold by the manufacturer in case lots. Case paper may be provided in either single bingo paper sheets or in a tablet from which the organization removes single bingo paper sheets.

Subp. 10. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 11. **Civic celebration.** "Civic celebration" means an event conducted in Minnesota that is sponsored by a local unit of government having jurisdiction over the event.

Subp. 12. **Compensation.** "Compensation" means wages, salaries, and all other forms of payment for services provided by a person.

Subp. 13. **Continuation bingo game.** "Continuation bingo game" means a bingo game where up to three games may be played concurrently on one bingo paper sheet face, bingo hard card, or facsimile of a bingo paper sheet; all completed winning patterns are verified independently; and no restrictions are placed on the order of completing the required patterns. Each portion of the continuation game is considered a complete game, even though the numbers selected for the previous game or games are not made available again for selection until all of the games have been completed.

Subp. 14. **Control number.** "Control number" means a unique alphanumeric or numeral code assigned by the organization to identify a bingo paper sheet, bingo paper sheet packet, or bingo paper package. The control number of the bingo paper sheet may be the serial number printed on the bingo paper by the manufacturer.

Subp. 15. **Cumulative pull-tab or tipboard game.** "Cumulative pull-tab or tipboard game" means a pull-tab or tipboard game that is played with two or more deals containing the same form number but unique serial number for each deal, has a portion of each deal's predetermined prize payout designated to a cumulative prize pool, and is packaged by the manufacturer as a cumulative game.

Subp. 16. **Event game.** "Event game" means a single pull-tab game in which certain prizes are determined by the selection of a bingo number, the opening or uncovering of a seal or seals, the spin of a paddlewheel, or by another alternative method approved by the board.

Subp. 17. **Facsimile of a bingo paper sheet.** "Facsimile of a bingo paper sheet" means an electronic representation of a bingo paper face with its face number displayed in an electronic bingo device used by a bingo player. The following also apply to a facsimile of a bingo paper sheet.

A. "Face number" refers to the number appearing on each facsimile of a bingo paper sheet in a series that allows for the verification of a winning facsimile of a bingo face against a master record containing all of the faces in the series.

B. "Series" means a specific group of faces that has been assigned consecutive face numbers by a manufacturer. Series are typically identified by the first and last face number in the group of faces.

Subp. 18. **Fair market value.** "Fair market value" is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. Fair market value for purposes of merchandise prizes must be related to the manufacturer's suggested retail price, list price, advertised price, or actual cost. The price or cost is determined when the merchandise prize is acquired by the organization.

Subp. 19. **Family.** "Family" means a group of pull-tab or tipboard games with the same name.

Subp. 20. **Family member.** "Family member" means a pull-tab or tipboard game with the same name as another family member but with a different form number.

Subp. 21. **Flashboard.** "Flashboard" means an electronic device that displays the numbers and letters of called bingo numbers.

Subp. 22. **Form number or part number.** "Form number" or "part number" means an alphanumeric code assigned by the manufacturer to uniquely identify a game as required by the commissioner of revenue.

Subp. 23. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 24. **Fund-raising costs.** "Fund-raising costs" means the total general fund expenses incurred in soliciting gifts, grants, and other contributions and includes but is not limited to expenses for:

A. publicizing and conducting fund-raising campaigns or special events;

B. soliciting contributions from foundations or other organizations or government grants;

C. preparing and distributing fund-raising manuals, instructions, and other related materials;

D. conducting special events that generate contributions;

E. allocating a portion, if any, of expenses and salaries for the organization's chief officer and that officer's staff that pertain to fund-raising activities; and

F. conducting fund-raising meetings.

For purposes of this definition, fund-raising costs does not include lawful gambling allowable expenses.

Subp. 25. **Gambling bank account.** "Gambling bank account" means all the accounts maintained by an organization at any banks, savings and loan institutions, or credit unions located within Minnesota in which the organization deposits all gambling receipts and over which the organization has any control, including checking and savings accounts, certificates of deposit, and trust and escrow accounts.

Subp. 26. **Gambling volunteer.** "Gambling volunteer" means an individual not compensated by an organization but who performs activities in the conduct of that organization's lawful gambling.

Subp. 27. **Immediate family.** "Immediate family" means spouse, children, parents, and siblings living in the same household.

Subp. 28. **Jar ticket.** "Jar ticket" means a single pull-tab ticket that is folded and banded or is a grouping of folded and banded tickets.

Subp. 29. **Lawful gambling.**

A. "Lawful gambling" is the operation, conduct, or sale of bingo, raffles, paddlewheels, tipboards, and pull-tabs.

B. Lawful gambling does not include:

(1) the conduct of a combination of any lawful gambling activity identified in item A where the outcome of one of the activities is dependent on the outcome of one of the other activities, except as otherwise permitted by law or rule;

(2) betting related to the outcome of an athletic or sporting event, except as otherwise permitted by law or rule; and

(3) the use of promotional tickets as defined in subpart 43 and Minnesota Statutes, section 349.12, subdivisions 18 and 31.

Subp. 30. **Leased premises.** "Leased premises" means a building or place of business, or a portion of it, that is not owned by a licensed organization and is leased by the organization only for the conduct of lawful gambling.

Subp. 31. **Leased bingo premises.** If bingo and other forms of lawful gambling are conducted during a bingo occasion on a leased premises and the rent amount is based on the square footage of the leased premises, the "leased bingo premises" includes:

- A. sale areas;
- B. lawful gambling receipts accounting areas;
- C. participant playing areas;
- D. prize display areas;
- E. areas to draw, display, and post bingo numbers;
- F. restrooms;
- G. the organization's gambling equipment storage areas; and
- H. entrance foyers used exclusively by bingo players or the organization's gambling employees.

Other areas not used exclusively by bingo players or the organization's gambling employees are not included in leased bingo premises. Measurements of leased areas are taken from internal wall to internal wall.

Subp. 32. **Limiting bingo number count.** "Limiting bingo number count" means a bingo game in which a bingo player must complete an announced bingo pattern within a predetermined quantity of called bingo numbers. All limiting bingo number counts must be prominently displayed before the start of the bingo occasion. If not completed within the count, the game continues until a consolation winner is determined and a consolation prize awarded.

Subp. 33. **Linked bingo equipment.** "Linked bingo equipment" means the equipment used in the conduct of a linked bingo game, including linked bingo paper sheets, electronic bingo devices, and facsimiles of linked bingo paper sheets.

Subp. 34. **Management and general costs.** "Management and general costs" means the total general fund expenses incurred for the function and management of the organization and includes but is not limited to expenses for:

- A. salaries and expenses of the organization's chief officer and staff, excluding any portion that is allocated to fund-raising or program services;
- B. meetings of directors or similar groups, committees, and staff but does not include expenses for fund-raising or specific program service meetings;
- C. general legal services;
- D. accounting and auditing;
- E. general liability insurance;

F. office management and personnel;

G. preparation of annual reports; and

H. investment expenses.

For purposes of this definition, management and general costs does not include general fund expenses for the direct conduct of fund-raising activities or program services, and does not include lawful gambling allowable expenses.

Subp. 35. **Manufacturer's seal.** "Manufacturer's seal" means the sticker placed by the manufacturer on the outside of the box or container of pull-tabs or tipboards but inside the shrink-wrap, ensuring that the game has not been opened or tampered with before delivery to the organization.

Subp. 36. **Merchandise prize.** "Merchandise prize" means a prize other than cash awarded to a winner or winners of a bingo game, pull-tab game, tipboard game, paddlewheel game conducted without a paddlewheel table, or raffle.

Subp. 37. **Multiple seal game.** "Multiple seal game" means a pull-tab or tipboard game in which select tickets are redeemed by players for a predetermined prize amount under a seal number matching the **paper pull-tab** ticket presented by the player **or as determined by the player playing an electronic pull-tab game.**

Subp. 38. **Net receipts.** "Net receipts" are gross receipts less prizes awarded.

Subp. 39. **Other nonprofit organization.** "Other nonprofit organization" means one of the following:

A. an organization other than a fraternal, religious, or veterans organization, whose nonprofit status is evidenced by a current letter of exemption from the Internal Revenue Service recognizing it as a nonprofit organization exempt from payment of income taxes or which is incorporated as a nonprofit corporation and registered with the secretary of state under Minnesota Statutes, chapter 317A; or

B. an affiliate, subordinate, or chapter of a statewide parent organization that meets the criteria of item A. This type of other nonprofit organization is recognized only for purposes of conducting lawful gambling under Minnesota Statutes, section 349.166.

Subp. 40. **Paddlewheel table.** "Paddlewheel table" is a table described in part 7864.0230 and used in the game of paddlewheels under part 7861.0300.

Subp. 41. **Progressive bingo game.** "Progressive bingo game" is a game in which the established prize levels increase from one occasion to the next up to a predetermined amount if the required pattern is not completed within the specified number of bingo numbers selected and called during an occasion.

Subp. 42. **Progressive pull-tab or tipboard game.** "Progressive pull-tab or tipboard game" is a pull-tab or tipboard game that has a portion of its predetermined prize payout designated to one progressive jackpot prize. The jackpot prize increases from one deal to the next until the jackpot prize is won or the predetermined jackpot amount printed on the flare by the manufacturer is reached.

Subp. 43. **Promotional pull-tab or tipboard ticket.** "Promotional pull-tab or tipboard ticket" means a pull-tab or tipboard ticket for which no purchase or consideration is required. The only prizes available to be won are discounts on goods and services available at the site where the game is played. Cash prizes are not permitted with promotional pull-tab or tipboard games.

Subp. 44. **Random number generator.** "Random number generator" means a device that has an automated method of determining **the** random **selection of** numbers **and** **or ticket position in a deal and** meets

the standards under part 7864.0230, subpart **5; part 78XX.XXX subpart X (Paddlewheel device) and subpart 78XX.XXX (electronic pull-tab device).**

Subp. 45. **Religious organization.** "Religious organization" means a nonprofit organization, church, body of communicants, or group gathered in common membership for mutual support and edification in piety, worship, and religious observances.

Subp. 46. **Seal card.** "Seal card" means a board or placard used in conjunction with a deal of pull-tabs or tipboards and contains a seal or seals that when opened or uncovered reveal predesignated winning numbers, letters, or symbols.

Subp. 47. **Sealed bingo paper sheet.** "Sealed bingo paper sheet" means a manufacturer-sealed bingo paper sheet constructed so that the bingo face is sealed in a manner that prevents revealing any part of the bingo face before the seal is opened by a bingo player. Sealed bingo paper sheets also includes facsimiles used with an electronic bingo device.

Subp. 48. **Shrink-wrap.** "Shrink-wrap" means a clear form-fitting plastic wrapping applied to a box or container of pull-tabs or tipboards by a licensed manufacturer.

Subp. 49. **State registration stamp.** "State registration stamp" means the stamp required by Minnesota Statutes, section 349.162, subdivision 1, paragraph (a), and attached to a bingo number selection device, pull-tab dispensing device, paddlewheel, or paddlewheel table.

Subp. 50. **Veterans organization.** "Veterans organization" means any congressionally chartered organization within Minnesota, or any branch, lodge, or chapter of a nonprofit national or state organization within Minnesota, with a membership consisting of persons who were members of the armed services or forces of the United States.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 35 SR 1528*

Posted: *April 7, 2011*

7861.0220 LICENSED ORGANIZATION.

Subpart 1. **Organization license required.** An organization may not conduct lawful gambling unless it has received a license issued by the board. The license, when issued, is not transferable from one organization to another.

Subp. 2. **Organization licensing qualifications.** In addition to the qualifications in Minnesota Statutes, sections 349.155, subdivision 3, and 349.16, subdivision 2, an organization does not qualify for a license if:

A. an organization that has not been licensed to conduct lawful gambling within the preceding 12 months and its current chief executive officer and a person who will be its gambling manager have not completed a gambling manager seminar within the last six months;

B. the organization has not established a permanent location in Minnesota where the gambling records required by this chapter will be kept and has not established a gambling bank account within Minnesota;

C. the organization's conduct of lawful gambling is or would be inconsistent with Minnesota Statutes, sections 349.11 to 349.23, as indicated by lack of financial responsibility, demonstrated lack of control of lawful gambling, or incomplete consent order or termination plan requirements;

D. the organization does not have a gambling manager who will be licensed by the board when the organization obtains its license; and

E. the organization will not obtain at least one premises permit when the organization obtains its license.

Subp. 3. **Contents of organization license application.** The application must contain the following organization information:

A. legal name and any other names used;

B. business address and telephone number;

C. Minnesota tax identification number and federal employer identification number;

D. names, titles, dates of birth, and daytime telephone numbers of the chief executive officer and treasurer;

E. home address of the chief executive officer;

F. a designation of whether the organization is a fraternal, veterans, religious, or other nonprofit organization and the number of years the organization has existed;

G. number of active members;

H. day and time of regular meetings;

I. acknowledgment that the organization will file a license termination plan if the organization terminates lawful gambling;

J. for a 501(c)(3) organization or 501(c)(4) festival organization that chooses to make lawful purpose contributions to itself, an acknowledgment regarding the provisions of part 7861.0320, subpart 14; and

K. additional information that may be required by the board to properly identify the applicant and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

Subp. 4. **Attachments to organization license application.** The organization must attach the following to the application:

A. proof of Internal Revenue Service income tax exempt status or current certificate of nonprofit status from the Minnesota secretary of state. If the organization is a 501(c)(3) organization or 501(c)(4) festival organization, the organization must attach documentation from the Internal Revenue Service showing proof of its income tax exempt status;

B. copy of a charter of the parent organization, if chartered;

C. registration for each employee receiving compensation for the conduct of lawful gambling, in a format prescribed by the board;

D. membership list, signed by the organization's chief executive officer, with the first and last names of at least 15 active members as defined in Minnesota Statutes, section 349.12, subdivision 2, and date of membership;

E. affidavit of the chief executive officer and treasurer, in a format prescribed by the board;

F. for a 501(c)(3) organization or 501(c)(4) festival organization that chooses to make lawful purpose contributions to itself, a copy of the organization's annual report on income and expenses provided to the Internal Revenue Service, or in a format prescribed by the board; and

G. a copy of the organization's by-laws, signed by the organization's chief executive officer.

Subp. 5. **Changes in organization license application information.** If any information submitted in the application changes, the organization must notify the board within ten days of the change.

Subp. 6. **Issuing or denying an organization license.** The following items apply to an organization license issued or denied by the board.

A. The board must issue a license to an organization that:

(1) submits the information required in the application and application attachments;

(2) pays the fee required by Minnesota Statutes, section 349.16, subdivision 6; and

(3) is eligible to receive a license under subpart 2. The license must be issued at the same time as any premises permits when the organization is applying for a license.

B. The board must deny the application if an organization:

(1) is ineligible under subpart 2; and

(2) failed to submit all information required by subparts 3 and 4 and the application has remained incomplete for more than 90 days after it was received by the board.

When the board determines that an application should be denied, the board must promptly give a written notice to the organization. The notice must contain the grounds for the action and reasonable notice of the rights of the organization to request an appeal under part 7865.0260, subpart 2.

C. All fees submitted with a license application are considered earned and are not refundable.

Subp. 7. **Effective date for organization license.** An organization license is effective on the first day of the month or as otherwise determined by the board.

Subp. 8. **Termination of organization license.** If an organization voluntarily or involuntarily terminates all of its gambling activities, it must submit a license termination plan to the board for approval on a form prescribed by the board. The board must require the organization to revise the plan if it does not meet with board approval. The plan must include but is not limited to the following information upon which board approval must be based:

A. documentation that provides information on how the organization will expend all remaining funds in the gambling account for lawful expenditures;

B. documentation of the return or disposal of all unused gambling equipment in the possession of the organization; and

C. an acknowledgment by the organization that it will resolve any pending compliance issues as noted in the termination plan as approved by the board as a condition of license reapplication in the future.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: April 7, 2011

7861.0230 GAMBLING MANAGER AND ASSISTANT GAMBLING MANAGER.

Subpart 1. **Gambling manager license required.** A person may not act as a gambling manager unless the person has obtained a license issued by the board. The license, when issued, is not transferable from one person to another.

Subp. 2. **Gambling manager licensing qualifications.**

In addition to the qualifications in Minnesota Statutes, sections 349.155, subdivision 3, and 349.167, a person does not qualify for a new or continuing license if the person is any of the following:

A. the lessor, an employee of the lessor, a member of the lessor's immediate family, or a person residing in the same residence as the lessor, if the premises is leased;

B. a person who is not an active member of the organization;

C. a person who is the chief executive officer or the treasurer of the organization or to a person who was an officer of an organization at a time when an offense occurred that caused that organization's license to be revoked; or

D. a person who is the gambling manager or an assistant gambling manager for another organization.

Subp. 3. **Education requirements.**

A. To qualify for a continuing license, by the end of each calendar year the gambling manager must:

(1) attend a class as required by Minnesota Statutes, section 349.167, subdivision 4; or

(2) pass a special gambling manager's examination administered by the board when no other board-approved training is available before the end of the calendar year.

B. The director must issue a citation to a gambling manager who fails to comply with item A, subitem (1).

C. If the gambling manager fails to pass the examination as allowed by item A, subitem (2), by the end of the calendar year, the board must summarily suspend the gambling manager's license as provided by Minnesota Statutes, section 349.1641.

D. Proof of identification is required for persons taking a gambling manager examination. Attendees at board-authorized seminars and continuing education classes must be prepared to present as proof of identification a valid driver's license or identification card issued by Minnesota, or a state or province of Canada contiguous to Minnesota, that contains the person's photograph and date of birth.

Subp. 4. **Contents of gambling manager license application.** The application must contain the following information for the person who will be the gambling manager:

A. name, date of birth, and Social Security number;

B. home address and daytime telephone number;

C. date the person became a member of the organization;

D. organization's name, address, and telephone number and name of the chief executive officer;

E. dates of attendance at the board-authorized gambling manager's seminar;

F. name of the provider and contract number for the bond required by Minnesota Statutes, section 349.167, subdivision 1, paragraph (a);

G. statement that the applicant is in compliance with the licensing qualifications in subpart 2;

H. acknowledgment that suits and actions related to the gambling manager's license, or acts or omissions, may be commenced against the gambling manager;

I. acknowledgment authorizing the Departments of Public Safety and Revenue to conduct a criminal background and tax check or review;

J. acknowledgment regarding the education requirements of subpart 3; and

K. signature of the gambling manager and the chief executive officer of the organization.

Subp. 5. **Changes in gambling manager license application information.** If any information submitted in the application changes, the gambling manager must notify the board no later than ten days after the change has taken effect.

Subp. 6. **Issuing or denying a gambling manager license; license for an emergency gambling manager.** The following items apply to a gambling manager license issued or denied by the board:

A. The board must issue a license to a person who:

- (1) submits the information required in the gambling manager application;
- (2) pays the fee as provided in Minnesota Statutes, section 349.167, subdivision 2; and
- (3) is eligible to receive a license under subpart 2.

B. The board must deny the application if:

- (1) a person is ineligible under subpart 2;
- (2) the person failed to submit the information required by subpart 4 and the application remains incomplete for more than 90 days after it was received by the board; and
- (3) the organization that employs the gambling manager is not licensed, failed to meet the qualifications of part 7861.0220, subpart 2, or has a lapsed license according to Minnesota Statutes, section 349.16, subdivision 3a.

When the board determines that an application must be denied, the board must promptly give a written notice to the licensee. The notice must contain the grounds for the action and reasonable notice of the rights of the licensee to request an appeal under part 7865.0260, subpart 2.

C. A gambling manager whose application was denied for failing to comply with this part may not apply for a license or for an emergency replacement gambling manager's license. The person may apply for a new gambling manager's license if the person attended the board-authorized gambling manager's seminar and passed the examination within the six months immediately preceding the effective date of the new license.

D. If a gambling manager quits, dies, or is unable to perform the duties, the organization, to continue its conduct of lawful gambling, must comply with Minnesota Statutes, section 349.167, subdivision 2, paragraph (d), for an emergency replacement gambling manager or otherwise discontinue its operation until the organization complies with Minnesota Statutes, section 349.167, subdivision 2, paragraph (e).

E. All fees submitted with a license application are considered earned and are not refundable.

Subp. 7. **Effective date of gambling manager license.** A gambling manager license issued by the board is effective on the first day of a month or as otherwise determined by the board.

Subp. 8. **Gambling manager duties.** A gambling manager's duties include but are not limited to:

- A. determining the product to be purchased and put into play;
- B. reviewing and monitoring the conduct of games;
- C. supervising, hiring, firing, and disciplining all gambling employees;
- D. ensuring that all receipts and disbursements have been properly accounted for in compliance with statute and rule requirements;
- E. ensuring that all inventory records have been reconciled each month;
- F. supervising all licensing and reporting requirements;
- G. assuring that the licensed organization is in compliance with all laws and rules related to lawful gambling;
- H. assuring that illegal gambling is not conducted at any premises where the organization is permitted to conduct lawful gambling; and
- I. attending a majority of the regular meetings of the organization.

Subp. 9. **Assistant gambling manager duties and restrictions.** The following items apply to assistant gambling managers.

- A. An assistant gambling manager is a person who performs any of the following duties:
 - (1) six or more of the functional responsibilities as defined in part 7861.0320, subpart 1, item F;
 - (2) hiring, disciplining, or firing gambling employees;
 - (3) completing the license and permit application requirements;
 - (4) negotiating leases; or
 - (5) determining product to be purchased.
- B. An organization may employ one or more assistant gambling managers if:
 - (1) each assistant gambling manager is under the direct supervision of the organization's gambling manager;
 - (2) each assistant gambling manager is an active member or employee of the organization; and
 - (3) each assistant gambling manager does not participate in the conduct of lawful gambling for more than one organization except as allowed under item C.

C. An assistant gambling manager may be employed by more than one organization if the organizations lease space for the conduct of bingo in the same permitted premises, and the assistant gambling manager is not compensated directly or indirectly by the owner or lessor of the premises.

(1) Assistant gambling managers employed by more than one organization under this item may supervise gambling employees of organizations during bingo occasions and assist gambling managers with the duties contained in subpart 8.

(2) Assistant gambling managers employed by more than one organization under this item must not:

(a) supervise licensing and reporting requirements as required by statute and rule for the organization;

(b) hire, fire, or impose permanent discipline on gambling employees of the organization, except for temporary disciplinary action that may be necessary during a bingo occasion. If temporary disciplinary action is taken, the assistant gambling manager may make a recommendation to the gambling manager regarding permanent disciplinary action;

(c) determine the program content or prize level requirements for the organization;

(d) determine the product to be purchased and put into play;

(e) be a gambling employee or volunteer at any other site where the organization conducts lawful gambling; or

(f) be a gambling employee or volunteer for any other organization conducting lawful gambling at another site.

Nothing in this item diminishes the responsibilities and ultimate supervisory authority of a gambling manager contained in subpart 8.

D. A license is not required for an assistant gambling manager.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: *April 7, 2011*

7861.0240 PREMISES PERMITS.

Subpart 1. **Premises permit required.** An organization must obtain a premises permit issued by the board for each premises it owns or leases where it will conduct lawful gambling. The permit, when issued, is not transferable from one site to another.

Subp. 2. **Contents of and attachment to premises permit application.** A premises permit application must contain the following information:

A. organization's legal name;

B. name and daytime telephone number of the organization's chief executive officer;

C. name and street address of the proposed gambling premises;

D. city and county or township and county where the proposed gambling premises is located;

E. address in Minnesota of any temporary or permanent storage space for gambling equipment and records, if different than the permitted premises;

F. bank name, address, and account number for each bank account in Minnesota into which gross receipts from gambling are deposited;

G. authorization permitting the board and agents of the board and the commissioners of revenue and public safety and their agents to inspect the bank records of the gambling account;

H. a statement giving consent to local law enforcement officers, the board or its agents, and the commissioners of revenue and public safety and their agents to enter and inspect the premises;

I. acknowledgment signed by the chief executive officer;

J. acknowledgment by the local unit of government that it has approved the application by resolution as authorized by Minnesota Statutes, section 349.213, subdivision 2; and

K. if the premises is leased, a copy of the lease as required by subpart 3.

Subp. 3. **Lease required for leased premises.** For premises not owned by the organization, a lease must be on a form prescribed by the board and contain at a minimum the following information:

A. name, business address, and telephone number of the legal owner of the premises and the lessor;

B. organization's name, business address, license number, and daytime telephone number;

C. name, address, and telephone number of the leased premises;

D. type of gambling activity to be conducted;

E. monetary consideration, if any, that may not be directly or indirectly supplemented above the amounts in Minnesota Statutes, section 349.18;

F. an irrevocable consent from the lessor that:

(1) the board and its agents, the commissioners of revenue and public safety and their agents, and law enforcement personnel have access to the permitted premises at any reasonable time during the business hours of the lessor;

(2) the organization has access to the permitted premises during any time reasonable and when necessary for the conduct of lawful gambling on the premises;

(3) the owner of the premises or the lessor will not manage the conduct of gambling at the premises;

(4) the lessor, the lessor's immediate family, and any agents or gambling employees of the lessor will not participate as players in the conduct of lawful gambling on the premises, except as authorized under Minnesota Statutes, section 349.181;

(5) the lessor, the lessor's immediate family, any person residing in the same residence as the lessor, and any agents or employees of the lessor will not require the organization to perform any action that would violate statute or rule, with a clause stating that the lessor must not modify or terminate the lease in whole or in part because of a violation of this provision. If there is a dispute as to whether a violation has occurred, the

lease will remain in effect pending a final determination by the compliance review group. The lessor agrees to arbitration when a violation is alleged. For purposes of this subitem, the arbitrator must be the compliance review group of the board; and

(6) the lessor must maintain a record of all money received from the organization, and make the record available to the board and its agents and the commissioners of revenue and public safety and their agents. The record must be maintained for 3-1/2 years;

G. clauses pertaining to illegal gambling stating that:

(1) notwithstanding part 7865.0220, subpart 3, an organization is required to continue making rent payments, under the terms of the lease, if the organization or its agents are found to be solely responsible for any illegal gambling conducted at the site that is prohibited by part 7861.0260, subpart 1, item H, or Minnesota Statutes, section 609.75, unless the organization's agents responsible for the illegal gambling activity are also agents or employees of the lessor;

(2) the lessor must not modify or terminate the lease in whole or in part because the organization reported to a state or local law enforcement authority or the board the conduct at the site of illegal gambling activity in which the organization did not participate;

(3) the lessor is aware of the prohibition against illegal gambling in Minnesota Statutes, section 609.75, and the penalties for illegal gambling violations in part 7865.0220, subpart 3;

(4) to the best of the lessor's knowledge, the lessor affirms that any and all games or devices located on the premises are not being used, and are not capable of being used, in a manner that violates the prohibitions against illegal gambling in Minnesota Statutes, section 609.75, and the penalties for illegal gambling violations in part 7865.0220, subpart 3; and

(5) the lessor acknowledges the provisions of Minnesota Statutes, section 349.18, subdivision 1, paragraph (a);

H. a clause stating that the lessor must not impose restrictions on the organization with respect to providers of gambling-related equipment and services or in the use of net profits for lawful purposes; and

I. all other agreements between the organization and the lessor.

Subp. 4. **Changes in premises permit application and lease information.** The following items pertain to changes in application and lease information.

A. Except for items B and C, the organization must notify the board in writing when any information submitted in the application changes, no later than ten days after the change has taken effect.

B. For changes to a lease that do not include a change in the lessor, the organization must submit to the board a new lease at least ten days before the effective date of the change.

C. For a change in ownership of the site, the organization must submit to the board a new lease within ten days after the new lessor has assumed ownership.

Subp. 5. **Issuing or denying a premises permit; violation of lease agreement.** The following items apply to a premises permit issued or denied by the board.

A. The board must issue a premises permit when an application is complete and contains:

(1) information required in the application and application attachments;

(2) the fee required by Minnesota Statutes, section 349.165, subdivision 3; and

(3) local unit of government approval.

B. The board must deny the application if:

(1) the organization does not or will not have an organization license or licensed gambling manager when the premises permit is issued, or the organization license has lapsed according to Minnesota Statutes, section 349.16, subdivision 3a;

(2) the application has been denied by the local unit of government;

(3) illegal gambling was conducted at the proposed site within the 90 days immediately preceding the date of the application, and at a time when no licensed organization had a premises permit for the site;

(4) another organization's premises permit for the proposed site is under suspension or revocation for illegal gambling under part 7865.0220, subpart 3;

(5) a prior premises permit for the proposed site would have been subject to suspension or revocation for illegal gambling under part 7865.0220, subpart 3, and the suspension period or revocation that could have been imposed for that site has not elapsed;

(6) the organization has not submitted the information required by subpart 2, and for a leased site the organization has not submitted a lease as required by subpart 3, and the application remains incomplete for more than 90 days after it was received by the board; or

(7) the lessor, the lessor's immediate family, any person residing in the same residence as the lessor, or the lessor's agents or employees have required an organization to perform an action that would violate statute or rule, as referenced in the lease agreement. If such a violation of the lease agreement has occurred, any premises permit application for that site will not be considered for the following periods:

(a) up to one year from the date of the board's final decision on the matter; or

(b) up to two years from the date of the board's final decision on the matter for a second such violation, unless a complete change of ownership of the site occurred at the time of the first or second violation. "Complete change of ownership" has the meaning given in part 7865.0210, subpart 3, item C.

When the board determines that an application must be denied, the board must promptly give a written notice to the organization. The notice must contain the grounds for the action and reasonable notice of the rights of the organization to request an appeal under part 7865.0260, subpart 2.

C. All fees submitted with a permit application are considered earned and are not refundable.

Subp. 6. **Permit effective date.** A premises permit issued by the board is effective on the first day of a month or as otherwise determined by the board.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: *April 7, 2011*

7861.0260 CONDUCT OF LAWFUL GAMBLING.

Subpart 1. **General restrictions.** The following items are general restrictions on the conduct of lawful gambling.

A. The term "employee" includes a "volunteer."

B. All playing of lawful gambling must be on a cash basis, in advance of any play. "Cash" means currency, money orders, cashier's checks, or traveler's checks. Cash does not include personal checks, credit cards, or debit cards, except that raffle tickets and certificates of participation may be purchased by personal check or debit card.

C. At each permitted premises, the organization must have:

(1) an inventory list of gambling equipment currently at the site;

(2) a clear, physical separation or a tangible divider between the organization's **disposable** gambling equipment **stored at the premises**² and the lessor's business equipment; and

(3) the invoices or true and correct copies of the invoices for the purchase of all gambling equipment at the premises **other than invoices for the purchase of electronic pull-tab games**,³ and must make the invoices available for inspection by the board and its agents and the commissioners of revenue and public safety and their agents.

D. An organization must ensure that its compensated gambling employees are clearly identified by name to the public at all times when conducting lawful gambling.

E. An organization or organization employee must not engage in any act, practice, or course of operation that manipulates the outcome of any game.

F. An organization must only conduct lawful gambling at times when the premises is open for the conduct of its regular business.

G. An organization must not conduct any form of lawful gambling in a manner that tends to deceive the public or affects the chances of winning or losing.

H. Illegal gambling may not be conducted at a premises for which a licensed organization has a premises permit to conduct lawful gambling.

I. On leased bingo premises, food and beverages may be dispensed within the permitted premises. Gambling employees of the organization working during a bingo occasion may not provide this service. The organization must not pay for the cost of the food and beverages from the organization's gambling accounts.

Subp. 2. **Posting of information and house rules.** A licensed organization must prominently post the following information at each permitted premises in an area visible to players before they purchase a chance to participate in lawful gambling:

A. organization name, license number, and premises permit number;

² This change allows electronic devices and other gambling equipment used during the conduct of gambling to be located at any practical location at the premises. However, gambling equipment that is not in use, such as unopened or closed pull-tab games, must be kept separate from the lessor's business equipment. For example, unopened pull-tab games may not be mixed together with cases of beer.

³ Electronic pull-tab games are purchased and placed into play instantaneously according to guidelines established by the organization with the game distributor. The game invoice is subsequently delivered to the organization. It's not possible for electronic pull-tab game invoices to be available for inspection for all electronic pull-tab games in play. Also, the board is able to remotely monitor the games in play at each premises to ensure that no unauthorized games have been placed into play.

B. notice of problem gambling information that must at a minimum include the toll-free telephone number established by the commissioner of human services;

C. statement that illegal gambling is prohibited;

D. house rules that include at a minimum the policies governing the conduct of lawful gambling at the premises, including any restrictions in addition to those imposed by Minnesota Statutes, section 349.181, on who may not participate in the conduct of lawful gambling at the premises. The house rules must be adequately lighted, legible, and at least 11 inches by 17 inches; and

E. for the conduct of bingo, the information required by this subpart may be contained in the bingo program as an alternative to posting the information.

F. for the conduct of electronic pull-tabs and electronic linked bingo, the information required by this subpart may be displayed on the electronic pull-tab or electronic linked bingo device.⁴

Subp. 3. **Advertising.** Any promotional material, sign, or advertising of lawful gambling must identify the licensed organization permitted to conduct gambling at the premises and its license number, if the cost is paid by a licensed organization from its gambling account.

Subp. 4. **Prizes awarded; records required.**

A. The value of prizes awarded must not exceed the limits in this subpart or Minnesota Statutes, section 349.211. "Value" means the following:

(1) fair market value of merchandise prizes, which must not be an amount less than the organization paid for the prize. Merchandise prizes purchased by the organization at a discount and donated prizes must be valued at their fair market value and included in the determination of compliance with this subpart or Minnesota Statutes, section 349.211;

(2) fair market value of certificates for merchandise or service;

(3) assessed tax value of real property;

(4) dollar amount of the cash prize. For raffles, cash includes currency, coins, and negotiable instruments; and

(5) actual amount paid for a savings bond.

B. The maximum value of a prize for two or more winning pull-tab combinations including the last sale prize on a single pull-tab must not exceed the limits in Minnesota Statutes, section 349.211, subdivision 2a.

C. A prize must consist of cash, merchandise, certificates for merchandise, certificates for services, gift certificates, or gift cards with the following exceptions and restrictions:

(1) prizes must not consist of lawful gambling equipment;

(2) cash must not be substituted for merchandise prizes, certificates for services, gift certificates, or gift cards which have been won. This does not apply to multiple bingo winners for a merchandise prize that cannot be divided;

⁴ Posting the house rules directly on the electronic devices allows players to read the rules while playing the game. In this case, a posted sign is no longer necessary to ensure players have access to the house rules.

(3) coupons redeemable for bingo hard cards, bingo paper sheets, bingo paper sheet packets, bingo paper packages, and the use of an electronic bingo device may be awarded for bingo;

(4) a certificate for merchandise or services must contain:

(a) a complete description, including the value of the merchandise or services to be redeemed by the certificate;

(b) vendor's name from whom the certificate must be redeemed; and

(c) a statement expressly prohibiting the substitution of cash or another type of merchandise or services for the merchandise or services described on the certificate;

(5) for a paddlewheel game played with a table, only cash prizes may be awarded and must be awarded and redeemed through the use of chips; and

(6) for a paddlewheel game played without a table, a cash prize amount may not be a variable multiple of the standard price of a paddlewheel ticket.

D. An organization must pay for in full or otherwise become the owner, without lien or interest of others, of merchandise prizes before winners of the prizes are determined, except as allowed by Minnesota Statutes, section 349.211, subdivision 4, paragraph (b), or for raffles with gross receipts of \$60 or less.

E. When an organization awards a prize that will require registration or licensure by a government agency as a condition of ownership, the organization must use a certificate for merchandise. The winner will be responsible for securing the required registrations or licenses and will be required to give proof of eligibility to receive the prize. An organization is responsible for ensuring that the prize is received by the winner.

F. Cash prizes must be awarded when they are won. This item does not pertain to a progressive bingo prize, linked bingo jackpots, a progressive pull-tab or tipboard jackpot prize, and raffles.

G. Merchandise prizes must be displayed in full view of the players in the immediate vicinity of the game and must not be redeemed for cash or converted into cash. When the winner of a merchandise prize is determined, the organization must immediately remove the prize from the display and award it to the winner. This requirement does not apply to raffles.

H. All prizes must be awarded consistent with current federal and state laws.

I. All merchandise prizes must be accounted for in a format prescribed by the board that includes at a minimum the following information:

(1) date the organization acquired the merchandise;

(2) fair market value of the merchandise;

(3) complete inventory of prize merchandise; and

(4) documentation on how the fair market value was determined.

J. For leased permitted premises, an organization may not purchase merchandise prizes from the lessor, except that an organization may purchase from the lessor a certificate for merchandise or gift card to be redeemed for food or beverages at the premises if:

(1) the certificate or card value has a redeemable monetary cash value;

(2) the certificate or card does not contain restrictions on its redemption, such as requiring a purchase of food or beverage of equal or greater value or redeemable for a specific item;

(3) the certificate or card may be redeemed at any time during the regular business hours of the permitted premises; and

(4) the cost to the organization is 50 percent or less of the redeemable cash value of the certificate or card.

Subp. 5. Prize receipts required.

A. When a prize is awarded, the organization must complete a prize receipt in a format prescribed by the board for the following:

(1) a bingo prize valued at \$100 or more;

(2) a bingo game where the value of the prize cannot be determined and verbally announced to players prior to the beginning of the game;

(3) a winning **paper** pull-tab or tipboard ticket valued at \$50 or more, or for any prize for redeeming the last ticket sold in a **paper** pull-tab or tipboard game for which the distributor has modified the flare to contain a last sale prize of \$20 or more. The winning ticket, and winning seal tab if any, must be stapled to the prize receipt; and

(4) a paddlewheel prize valued at \$50 or more, and the winning ticket must be stapled to the prize receipt.

B. A prize receipt must include at a minimum the following, in a legible format and in ink:

(1) the organization's name and address;

(2) the name of the gambling premises;

(3) the game serial number of the game from which the prize was won;

(4) the name of the game;

(5) the date the prize was won;

(6) the dollar amount of the cash prize or the fair market value for a merchandise prize;

(7) the winner's complete name and address, and driver's license number, including state of license registration:

(a) if the winner does not have a driver's license, the winner's complete name and address must be obtained from another form of picture identification belonging to the winner; or

(b) if a bingo winner does not have a driver's license or other form of picture identification, the prize receipt must contain the name and address of the winner, and a from a driver's license or other form of picture identification, including the complete name and address, and the signature in ink, of another person playing bingo during that occasion; and

(8) signatures, in ink, of the winner and the gambling employee or volunteer paying the winner.

Subp. 6. Storing and securing equipment. Gambling equipment may be stored on the leased permitted premises. Gambling equipment must be secured in an area that is under the organization's control.

Subp. 7. Return of defective pull-tab or tipboard game to distributor or revenue.

A. If, before being put into play, a pull-tab or tipboard game is determined not to be manufactured according to the standards in part 7864.0230, the organization must return the game to the distributor. The game must be returned within seven business days of determining that the standards, including the following, were not met:

- (1) serial number or form number of the tickets does not match the serial number or form number on the flare;
- (2) all tickets do not have the same serial number in a deal;
- (3) game has the same serial number and form number as another game manufactured by that manufacturer, in the organization's inventory;
- (4) geographic outline of the state of Minnesota as required by Minnesota Statutes, section 349.163, subdivision 5, does not appear on the flare for that game;
- (5) bar code required by Minnesota Statutes, section 349.163, subdivision 5, does not appear on the flare for that game;
- (6) prize amount on a ticket does not correspond to the prize amount listed on the flare;
- (7) ticket price does not correspond to the price listed on the flare; or
- (8) a game was received from a distributor with the manufacturer's seal broken.

B. If, during the play of a pull-tab or tipboard game, the game is determined not to be manufactured according to the standards in part 7864.0230, the organization must immediately remove the game from play and report it as a played game on the tax return.

(1) The organization must return the game to the distributor with documentation that the game does not meet the standards, including but not limited to item A, subitems (4) to (7).

(2) For a game not manufactured in compliance with item A, subitem (1), (2), or (3), the organization must surrender the game to the commissioner of revenue.

C. If, after a pull-tab or tipboard game is removed from play, the game is determined not to be manufactured according to the standards in part 7864.0230, the organization must report the game as played on the tax return.

(1) The organization must return the game to the distributor with documentation that the game does not meet the standards, including but not limited to item A, subitems (4) to (7).

(2) For a game not manufactured in compliance with item A, subitem (1), (2), or (3), the organization must surrender the game to the commissioner of revenue.

D. The organization must keep any game that is returned by the distributor as a played game.

Subp. 8. **Return of defective linked bingo paper to linked bingo game provider.** Within seven business days of determining that linked bingo paper was not manufactured according to part 7864.0230, the organization must return the linked bingo paper to the linked bingo game provider with documentation that the paper does not meet the standards.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: 31 SR 1239; 35 SR 1276

Posted: April 7, 2011

7861.0270 BINGO.

Subpart 1. **Restrictions and definitions.** In addition to the restrictions and requirements in part 7861.0260, the following restrictions and definitions apply to the conduct of bingo.

A. The term "bingo paper" means bingo paper sheets, linked bingo paper sheets, bingo paper sheet packets, bingo paper sheet packages, or facsimile of a bingo paper sheet.

B. The term "packet" means bingo paper sheet packets.

C. The term "package" means bingo paper sheet packages.

D. The term "sealed paper" means a sealed bingo paper sheet.

Subp. 2. **Posting of information and house rules.** In addition to the information required by part 7861.0260, subpart 2, an organization must prominently post at the point of sale, or display on all active electronic linked bingo devices,⁵ or state in its bingo program the following information:

A. house rules which include, at a minimum:

(1) policy on declaring bingo and last bingo number called; and

(2) reasons for potentially canceling bingo occasions; and

B. a notice that includes:

(1) the price for each bingo hard card, bingo paper, and electronic bingo device;

(2) a statement that only cash sales are permitted;

(3) if duplicate bingo hard cards are in play, unless the organization has otherwise notified all players before purchase of bingo hard cards for a game or number of games; and

(4) if breakopen bingo games are conducted, that identical sealed bingo paper sheet faces may occur during the game, the color of all original sealed paper, and the price at which the original and trade-in, if any, sealed paper must be sold.

Subp. 3. **Bingo equipment to be used.** An organization must comply with the following for the conduct of bingo.

A. If bingo balls are used, the 75 bingo balls must be available for inspection and inspected by at least one player before a bingo occasion begins to determine that all are present and in operating condition. Each bingo ball may bear no more than one letter and one number. Each bingo ball in the set must be equal in size, weight, shape, balance, and all other characteristics that control their selection, and must be free from any defects. Except for continuation bingo games, each bingo ball must be present in the bingo ball selection device before each bingo game begins.

⁵ Allows bingo-specific rules to be displayed on electronic linked bingo device instead of being posted or included in the bingo program.

B. Video cameras and monitors may be used.

C. An organization must maintain in sound working condition all equipment used in the conduct of a bingo game.

D. Linked bingo paper sheets or facsimiles of linked bingo paper sheets must not be included as part of a packet or package. All linked bingo paper sheets or facsimiles of linked bingo paper sheets must be sold as a separate item.

E. An organization must not reserve bingo cards, bingo paper, or an electronic bingo device for any person.

F. An organization must not use sets of bingo paper sheets or packets containing identical faces during a single bingo game, except that identical faces may occur on sealed bingo paper sheet faces during a breakopen bingo game. Identical faces may not occur on facsimiles of sealed bingo paper sheet faces used with an electronic bingo device during a breakopen bingo game.

G. Sealed paper sheets or facsimiles of sealed paper sheets must be used for any bingo game for which, prior to the selection of the first bingo number, a person could determine whether a particular bingo face is more likely to win the game than another bingo face or more likely to win a higher alternative prize.

H. An organization must not:

- (1) duplicate or make copies of bingo hard cards or bingo paper;
- (2) cut bingo paper sheets (case paper); or
- (3) separate or cut packets (collated paper).

I. An organization with gross bingo receipts exceeding \$150,000 in its last fiscal year, after any coupon discounts have been applied by the organization, may not use bingo hard cards. This restriction does not apply to the use of Braille bingo hard cards.

J. An organization may permit a player who is legally blind to bring and use a Braille **or large print** hard card. A Braille hard card must contain the letters and numbers required by part 7861.0210, subpart 3, in a format that can be verified by sight by a person who is not able to read Braille. An organization may disallow the use of a Braille **or large print** hard card that does not comply with requirements for bingo hard cards or linked bingo paper. For the use of a personal Braille **or large print** hard card, an organization must charge a person who is visually impaired the same price charged for a bingo hard card or bingo paper sheet face. **Braille or large print hard cards may not be used to participate in electronic linked bingo games.**⁶

Subp. 3a. **Use of electronic bingo devices.** An organization may offer electronic bingo devices, as defined by Minnesota Statutes, section 349.12, subdivision 12a, to be used by players to monitor bingo faces if the following requirements are met.

A. The number of bingo faces that may be played per game must be limited to 36 for each device.

B. A player must be limited to the use of one device.

C. The device must be used with a facsimile of a bingo paper sheet or corresponding bingo paper.

⁶ Players with very limited vision have requested to use a large print hard card. This has not caused any regulatory problems and should be allowed by rule. It's not possible to play electronic linked bingo with a braille or large print hard card. This form of bingo should be specifically excluded from this subitem.

(1) If a facsimile is used, the organization must provide the player with a sales receipt at the point of sale.

(2) If corresponding bingo paper is used, the organization must mark the bingo paper to indicate that it is used only with a corresponding electronic bingo device for that occasion.

D. The device must be used as part of a bingo occasion and must have no added function as a gambling or entertainment device according to part 7864.0230, subpart 6.

E. The organization must offer the use of an electronic bingo device for the same price options to all players.

F. The organization must record all voids before the start of the second bingo game in a bingo occasion. For a malfunction that occurs after the start of the second bingo game, the organization must record and document the reason for the void and report the voids to the board within three business days.

G. Only licensed manufacturers, distributors, or authorized organization employees may perform service or maintenance on an electronic bingo device.

H. An organization must not modify the assembly or operational functions of an electronic bingo device or any of its components. If the electronic bingo device has an audio function, the organization may activate the audio function for all players or may limit the use of the audio function to players who are visually impaired.

Subp. 4. **Bingo programs made available.** Bingo programs must be made available to all players before the start of each bingo occasion.

A. Bingo programs must include at a minimum the following information:

- (1) organization's name, name of the permitted premises, and license number;
- (2) for each game, a written description and illustration of the winning bingo pattern or bingo game requirement;
- (3) a description of the bingo paper to be used, including:
 - (a) color of the paper, and a description of the border, if any;
 - (b) number of bingo faces on each sheet;
 - (c) for packets, the number of sheets in each packet; and
 - (d) for packages, the number and type of bingo paper sheets added by the organization to the packets;
- (4) prizes to be offered by the organization and any factors used to determine the prize payout structure for each game;
- (5) date the program is implemented; and
- (6) explanation of limiting bingo number counts, if used.

B. At least 24 hours before using a new or amended bingo program, the organization must submit to the board the program and the days and times when the program will be used. The program must be included with the minutes of the organization's next monthly meeting.

Subp. 5. **Sales to bingo players; use of coupons.** An organization must comply with the following for sales made to bingo players.

A. Coupons may be used to reduce the selling price of bingo paper to the players from the price stated on the distributor invoice or to reduce the selling price of hard cards to the players if the following information is maintained for each redeemed coupon:

(1) person's name, address, and driver's license number. If the person does not have a driver's license or other form of picture identification, the coupon must include:

(a) name and address of the person redeeming the coupon; and

(b) driver's license or other form of picture identification, including the name, telephone number, address, and signature of another person playing bingo during that occasion who can verify the identity of the person redeeming the coupon;

(2) monetary difference between the price of the bingo paper as listed on the distributor's invoice and the price paid by the person redeeming the coupon; and

(3) printed name and signature, in ink, of the person redeeming the coupon.

B. Coupons must not be used for a linked bingo game.

C. The sale of bingo hard cards or bingo paper and the rental of electronic bingo devices must comply with the following.

(1) The sales must be on a cash basis and take place at the permitted premises during or immediately preceding the bingo occasion for which they are sold. Sales of gift certificates for bingo hard cards, bingo paper, or for the use of an electronic bingo device may be conducted at any time at the permitted premises.

(2) All linked bingo paper sheets must be sold for the same price to all players.

(3) Before the start of a specific bingo game, players must pay for bingo hard cards and bingo paper. This restriction does not pertain to the sale of sealed paper used in a breakopen bingo game.

(4) Before selling packets or packages after the first game in a bingo occasion has started, an organization must deface the bingo paper for games already played or in play.

(5) Bingo paper is valid only for the bingo occasion for which it was purchased by a player.

(6) The price of a bingo face played on a device may not be less than the price of a face on a bingo paper sheet sold for the same game at the same occasion.

(7) An organization must not offer free or discounted bingo hard cards or bingo paper, unless the price is reduced with a coupon.

Subp. 6. **Beginning a bingo game.** Except for breakopen bingo games, a bingo game begins with the first letter and number called.

A. Before the start of a bingo game, the bingo pattern or bingo game requirement must be described and verbally announced to the players. In games where players fill in the numbers on bingo paper sheet faces or facsimiles used with an electronic bingo device, the numbers must correspond to the appropriate columns on a bingo paper sheet face and the required pattern. Only the numbers 1 to 15 may be placed in the "B" column, 16 to 30 in the "I" column, 31 to 45 in the "N" column, 46 to 60 in the "G" column, and 61 to 75 in the "O" column.

B. Before the start of a bingo game, the prize amount must be verbally announced to players. For games with alternative prize levels, the factors determining the prize amount must be verbally announced to players before the start of the game.

C. All numbers and letters announced must be clearly and audibly called.

D. Immediately following the selection of each bingo number:

(1) if a bingo ball selection device is used, the caller must display that portion of the bingo ball that shows the letter and the number to the players. After a bingo ball has been drawn, it must not be returned to the receptacle until the game is completed;

(2) except for bar bingo, the caller must make sure that the majority of players are able to see the selected letter and number during the game; and

(3) the corresponding letter and number on the flashboard, if used, must be lit.

E. If the bingo caller discovers a wrong number has been called, the caller must:

(1) announce that a wrong number has been called;

(2) call the correct number; and

(3) correct the flashboard, if used, and continue the game.

F. The letter and number selected must be called before the next bingo number is selected, except when conducting a bingo game where the selected letter and number do not pertain to the pattern being played.

G. In a bingo game with a pattern that does not require all available bingo numbers, the caller must verbally state before the game begins that selected bingo numbers not pertaining to the pattern will not be called.

Subp. 7. **Closing a bingo game.** Except for linked bingo games, an organization must close each bingo game with the following procedure.

A. The game must be stopped after a player has declared bingo.

B. The next bingo ball out of the device for selecting bingo numbers must be removed from the device before shutting the device off, and must be the next bingo ball called if the bingo is not valid.

(1) In a continuation bingo game, the next bingo ball out of the device must be held and used as the first bingo ball called for the next game.

(2) In a bingo game where a drawn ball does not pertain to the pattern being played, the bingo ball must be removed from the device before shutting the machine off. If the drawn ball pertains to the pattern being played, the bingo ball must be the next bingo ball called if the bingo is not valid.

C. Every winning bingo face must be verified by at least one neutral player who is not an immediate family member of the player declaring bingo plus an organization employee must read aloud the numbers in the winning bingo if an electronic verification device is not used.

D. After a bingo winner has been determined and verified, the bingo caller must ask the players at least twice if there are any other bingos. If no one answers, the caller must announce that the game is completed.

Subp. 8. **Awarding bingo prizes.** When awarding bingo prizes, an organization must comply with the following.

A. An organization must award a prize if:

(1) the serial number and face number of the winning bingo paper or the face number on the winning bingo hard card was sold at that occasion;

(2) the player completed a predetermined bingo pattern or bingo game requirement with the letters and numbers called; and

(3) the bingo is verified by the organization.

An organization may not award a prize or consolation prize based upon any other method, including any element of chance.

B. If there are multiple winners for a cash prize, the organization must divide the cash amount into equal amounts and award the divided amount for each verified winning bingo face. The organization may round fractional dollars to the nearest higher dollar.

C. If there are multiple winners for a merchandise prize that cannot be divided, the organization must award substitute prizes of equal value for each verified winning bingo. Cash may be awarded as a substitute prize.

Subp. 9. **Breakopen bingo game.** In addition to other requirements contained in this part, a breakopen bingo game must also comply with the following.

A. At the start of the breakopen bingo game an organization must announce:

(1) the color of all original sealed paper; and

(2) the price of original sealed paper, and the price of trade-in sealed paper, if used.

B. A breakopen bingo game begins when, in the presence of players, the organization calls and posts, either manually or by use of a flashboard, a predetermined quantity of bingo numbers.

C. For each breakopen game held during a bingo occasion, the organization must use a separate set of bingo balls and one of the following:

(1) a separate bingo ball selection device;

(2) a separate tray within a bingo ball selection device; or

(3) a separate bingo ball container.

If an organization uses a separate tray or bingo ball container, the bingo balls must be in view of the players at all times during the game.

D. Sealed paper or facsimiles of sealed paper may be sold throughout the bingo occasion. However, no sealed paper or facsimiles of sealed paper for the game may be sold after the organization has resumed calling bingo numbers for the breakopen game.

E. After the predetermined quantity of bingo numbers has been called and posted and immediately before the selection of the next bingo number, the caller must ask if any player has completed the designated pattern or bingo game requirement.

(1) All players who complete the pattern or bingo game requirement within the predetermined quantity of bingo numbers called are considered winners, regardless of the last number called.

(2) If a player or players declare bingo based on the predetermined quantity of numbers selected and the bingo is verified, the player or players must be awarded the designated prize and the game ends.

(3) If no bingo is declared and verified, the organization must resume calling bingo numbers until one or more players declare bingo, the bingo is verified, and the designated prize or consolation prize is awarded.

F. Except for progressive breakopen bingo games, a breakopen bingo game must be played at a bingo occasion until the game is completed.

G. An organization may allow players to trade in sealed paper. The organization must account for the trade-in of sealed paper in the following manner.

(1) If a trade-in sealed paper is used, the organization must use two sets of sealed paper for each game. One set, known as the "original set," must be a different color than the second set, known as the "trade-in set."

(2) All sealed paper in the original set must be sold for the same price. All sealed paper in the trade-in set must be sold for the same price as other sealed paper in the trade-in set.

(3) After purchasing sealed paper from the original set, players may continue to purchase sealed paper from the original set. Players may trade in sealed paper from the original set for sealed paper from the trade-in set.

H. An electronic bingo device may be used with facsimiles of sealed bingo paper for a breakopen bingo game. The organization may not allow trade-ins of facsimiles of sealed bingo paper.

Subp. 10. **Linked bingo game.** In addition to other requirements in part 7861.0270 and in conjunction with a licensed linked bingo game provider under parts 7863.0250 and 7863.0260, an organization must also comply with the following for the conduct of a linked bingo game.

A. An organization must only sell approved linked bingo paper sheets or facsimiles of linked bingo paper sheets for a linked bingo game. Duplicate linked bingo paper sheet faces or duplicate facsimiles of linked bingo paper sheet faces are not allowed in the same linked bingo game.

B. All bingo numbers must be selected at a location approved by the board.

~~C. The device used to select the bingo numbers for a linked bingo game must remain in operation until all bingo numbers are selected.~~ The bingo numbers must be recorded in the order in which they were selected.

D. An organization must be registered and approved by the linked bingo game provider before participating in any linked bingo game.

~~E. Sales of linked bingo paper sheets and facsimiles of linked bingo paper sheets must be stopped at least 15 minutes before the first bingo number is selected.~~⁷ The organization must report the sales to the linked bingo game provider before the first bingo number is selected.

F. After a winning pattern or bingo game requirement has been declared by a player, the winning linked bingo paper face or **an electronic** facsimile of the winning linked bingo paper face must be verified **by the**

⁷ The length of time needed between the closing of sales for a game and the calling of the game's first bingo number will vary depending upon the linked bingo provider's procedures and equipment. Rule shouldn't dictate a longer time than may be necessary.

~~participating organization and confirmed~~ by the linked bingo game provider. **For a winning linked bingo paper face, the winning face must also be verified by the participating organization.**⁸

G. After a winner has been declared and verified, the participating organization at the permitted premises where the win occurred must notify the linked bingo game provider of the winner's name, address, and any information required for federal and Minnesota tax requirements before any payment is issued. The participating organization may continue play of the game at the permitted premises and award a consolation prize.

Subp. 11. **Records and reports.** Records and reports must be completed in ink by the organization, and kept for 3-1/2 years following the end of the month in which the occasion was conducted and reported on the tax return. Each organization using bingo paper must maintain inventory records in a format prescribed by the board. Any changes or amendments made to bingo records and reports must contain the initials, in ink, of the person making the changes or amendments. The records and reports must be made available to the board, the commissioner of revenue, the commissioner of public safety, or their agents.

Subp. 12. **Perpetual inventory records required for case paper.** For each case of bingo paper sheets, the organization must include in its inventory records, at a minimum, the following information:

- A. organization name and premises permit number;
- B. serial number;
- C. control number assigned by the organization;
- D. color;
- E. series;
- F. number of faces per sheet (ON's);
- G. description of face patterns, if any;
- H. distributor name, invoice number, and date of invoice;
- I. distributor's invoiced bingo paper price, and number of bingo paper sheets being invoiced;
- J. retail selling price for each bingo paper sheet; and
- K. perpetual inventory information for each case of bingo paper sheets (case paper).

Subp. 13. **Perpetual inventory records required for linked bingo paper.** For linked bingo paper sheets, the organization must include in its inventory records, at a minimum, the following information:

- A. organization name and premises permit number;
- B. serial number;
- C. control number assigned by the organization;
- D. color;

⁸ Verification of an electronic facsimile of a winning linked bingo paper face can be done sufficiently by the linked bingo provider without additional verification by the organization but a winning paper face must still be confirmed by an employee of the charitable organization.

- E. linked bingo game provider name, invoice number, and date of invoice;
- F. linked bingo game provider's invoiced bingo price and number of bingo paper sheets being invoiced;
- G. retail selling price for each linked bingo paper sheet; and
- H. perpetual inventory information for linked bingo paper sheets.

Subp. 14. **Perpetual inventory records required for packets.** For each set of packets, the organization must include in its inventory records, at a minimum, the following information:

- A. organization name and premises permit number;
- B. serial number;
- C. control number assigned by the organization to the packet. The control number may be the serial number of each bingo sheet in the packet, or the serial number from the top sheet in each packet if the invoice shows that only the serial number from the top sheet is provided;
- D. distributor name, invoice number, and date of invoice;
- E. distributor's invoiced bingo paper price, and number of packets being invoiced;
- F. number of sheets per packet (UP's);
- G. number of faces per sheet (ON's);
- H. description of face patterns, if any;
- I. color of each sheet in the packet, in the order of collation;
- J. retail selling price for each packet; and
- K. perpetual inventory information for each set of packets.

Subp. 15 **Perpetual inventory records required for packages.** For each package, the organization must assign a control number and account for all components of the package. The organization must include in its inventory records, at a minimum, the following information:

- A. organization name and premises permit number;
- B. serial number;
- C. control numbers of the paper used to build the package;
- D. for each component of the package, the color, series number, number of faces per sheet (ON's), number of sheets per packet (UP's), and distributor invoiced cost;
- E. retail selling price for the package;
- F. control number assigned to the package; and
- G. perpetual inventory information for each type of package.

Subp. 16. **Physical inventory records and discrepancy report required for all bingo paper.** For bingo paper, the organization must include in its monthly physical inventory summary, at a minimum, the following information:

- A. organization name and premises permit number;
- B. by type, the quantity of bingo paper sheets, packets, and packages;
- C. control numbers;
- D. distributor's invoiced cost for bingo paper sheets and packets; and
- E. date and signature, in ink, of the person completing the form.

The organization must reconcile the monthly physical inventory to the perpetual inventory. Any discrepancies of more than \$50 in the selling price of inventory must be reported to the board, in a format prescribed by the board, by the 20th of the month following the completion of month-end physical inventory records.

Subp. 17. **Bingo occasion records required for hard cards.** For bingo hard cards, the organization must maintain the following information for each bingo occasion:

- A. copy of the caller verification form prescribed by the board;
- B. total number of bingo hard cards sold for each game and the selling price of each card;
- C. total amount of cash collected for all sales of bingo hard cards, and the total dollar amount of all redeemed coupons and all gift certificates sold and redeemed;
- D. dollar amount of the cash prize, or the actual cost of the merchandise prize awarded for each bingo game and the face number of each winning card;
- E. cash on hand at the beginning and end of the occasion;
- F. completed prize receipts, redeemed coupons, and redeemed gift certificates;
- G. copy of the checker's record that includes the number of cards played in each game, the face number of each winning card, and prize awarded to the winning card, with the date and signature, in ink, of the checker; and
- H. name of each volunteer or employee working at the occasion.

Subp. 18. **Bingo occasion records required for all bingo paper and facsimiles of bingo paper sheets.** For bingo paper, including facsimiles of bingo paper sheets, the organization must maintain the following information for each bingo occasion and include:

- A. the total amount by control number of packages, packets, or sheets available for sale at the occasion and returned to inventory at the end of the occasion. Each seller working at the bingo occasion must complete a separate form;
- B. a summary of total admission sales, including total cash on hand at the beginning of the occasion, total cash receipts from admission sales, quantity by dollar value of all coupons redeemed and gift certificates sold and redeemed, and net admission sales;
- C. for each bingo game conducted, the number of bingo paper sheets and selling price of each bingo paper sheet sold by each floor seller;

D. a summary of income from the rental of electronic bingo devices, including quantity rented and amount charged per unit;

E. the total value of prizes awarded for each game and the serial number and face number of each winning bingo paper sheet face, and for linked bingo games the amount contributed to the jackpot prize;

F. a copy of the caller verification form prescribed by the board;

G. a bingo occasion summary, including total gross and net sales and any cash discrepancies; and

H. completed prize receipts, redeemed coupons, and redeemed gift certificates.

Subp. 19. **Gross receipt and discrepancy report required for bingo hard cards and bingo paper.** An organization must prepare a gross receipt and discrepancy report for each bingo occasion in a format prescribed by the board.

A. For bingo hard cards, an organization employee must compare the gross receipts to the checker's records. The gambling manager must verify the records. If a discrepancy of more than \$50 is found, the organization must submit a discrepancy report to the board within five days of the bingo occasion.

B. For bingo paper, an organization employee must reconcile the gross receipts of each bingo occasion to the occasion records. The gambling manager must verify the records. If a discrepancy of more than \$50 is found, the organization must submit a discrepancy report to the board within five days of the bingo occasion.

Subp. 20. **Records required for electronic bingo devices.** For electronic bingo devices, the following information, at a minimum, must be maintained:

A. the quantity of devices in inventory;

B. the quantity of devices rented for each occasion, amount charged for each device, number of voids, and total amount collected which must be reported as prescribed by the commissioner of revenue; and

C. the distributor or linked bingo game provider name, invoice date, and invoice number for the lease of electronic bingo devices.

Subp. 21. **Disposal of bingo records.** The following items apply to the disposal and destruction of records.

A. An organization is required to keep records for 3-1/2 years following the end of the month in which the occasion was conducted and reported on the tax return.

B. The organization may destroy bingo records after the retention period in item A expires, except as required in item C.

C. An organization must keep the records after the retention period in item A expires if they are notified by the board, commissioner of revenue, commissioner of public safety, or their agents that an audit, compliance review, or investigation is being conducted.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: *April 7, 2011*

7861.0280 PULL-TABS.

Subpart 1. **Restrictions.** In addition to the restrictions and requirements in part 7861.0260, the following apply to the conduct of pull-tabs.

- A. The pull-tab seller must not assist players in the opening of purchased pull-tabs.
- B. An organization must not award a prize for pull-tab tickets that were sold by another organization.
- C. An organization must not transfer games in play from one permitted premises to another.

D. **With the exception of electronic pull-tab games or electronic linked bingo games played at At** a leased permitted premises, an organization must not transfer games in play between a booth and bar operation.

E. If an organization owns the permitted premises, the organization may transfer games in play between its booth and bar operation.

Subp. 2. **Posting of information and flare.** In addition to the information required by part 7861.0260, subpart 2, an organization must post the flare for each deal of pull-tabs in play.

A. The flare must be attached to the receptacle or pull-tab dispensing device containing the deal of pull-tabs or prominently posted at the point of sale **or available on each electronic pull-tab device for each electronic pull-tab game in play.**

B. The entire flare must be visible to players.

C. An organization may not change the flare except:

- (1) to post a progressive jackpot amount; or
- (2) to record the method of selecting a winning ticket for a pull-tab event game.

D. An organization may not use a flare that it receives in an altered or defaced condition except for flares that contain a last sale sticker added by the distributor.

E. If a progressive pull-tab game is played, the organization must also post the flare containing the current progressive jackpot amount while the game is in play.

F. If a cumulative pull-tab game is played, the organization must also post the prize pool board while the game is in play.

Subp. 3. **Operation of paper pull-tab or event game. Paper pull-tab ~~Pull-tab~~** games must be conducted in the following manner.

A. A deal of pull-tabs may not be placed out for play in the original container in which it was received. When a deal of pull-tabs is put into play, all of the pull-tabs must be placed out for play at the same time. All of the pull-tabs must be randomly removed from the original containers and thoroughly mixed before a deal of pull-tabs is offered for sale. Tiered containers may not be used for the sale of pull-tabs.

B. An organization may not put into play any pull-tab or pull-tab flare that has been marked, defaced, altered, tampered with, or **operated operate a pull-tab game**⁹ in a manner that tends to deceive the public or affects the chances of winning or losing.

C. Separate cash banks must be maintained for each deal unless a cash register that meets the standards in this part is used or the deal is played through a pull-tab dispensing device.

⁹ Change corrects a grammatical error.

D. Each pull-tab must be sold for the price on the flare. A pull-tab may not be given to a player free of charge or for any other consideration.

E. An organization may not award a prize to a player unless the player redeems a winning pull-tab. A prize payout must not be made to any player for a lost, marked, defaced, or altered pull-tab, or for any winning pull-tab that left the permitted premises where the deal is in play.

F. The pull-tab seller must immediately deface each winning pull-tab when it is redeemed by the player.

G. For pull-tab event games where a winning ticket is determined by a method other than an instant win the following apply:

(1) if more than one method of selecting the winning ticket or tickets is provided on the flare by the manufacturer, the organization must determine the method to be used and record the determination on the flare prior to making the game available for play;

(2) the organization must prominently post the flare prior to the sale of any tickets; and

(3) a player with a potential winning (hold) ticket is not required to be in attendance to win and must be given a receipt by the seller for notification purposes if the ticket is selected as a winner. If the hold ticket is selected as a winning ticket, the organization must notify the player within two business days of selecting the winning ticket.

Subp. X. Operation of electronic pull-tab games. Electronic pull-tab games must be conducted in the following manner.

A. **When a deal of pull-tabs is put into play, all of the pull-tabs in the deal must be available for random selection at the same time.**

B. **An organization may not put into play any pull-tab game that has been altered, tampered with, or operate a pull-tab game in a manner that tends to deceive the public or affects the chances of winning or losing.**

C. **An organization may not commingle more than two electronic pull-tab games.**

D. A single cash bank is allowed for all electronic pull-tab deals in play for each site. Game deposits and reconciliation will be based on total daily activity from all electronic pull-tab games in play.

E. Each pull-tab must be sold for the price on the flare. A pull-tab may not be given to a player free of charge or for any other consideration.

F. The value of winning electronic pull-tabs must be credited to the electronic device and allow for the continuation of play or redemption by the player at any time. A prize payout must not be made to any player for a lost or altered pull-tab device.

G. The pull-tab seller must immediately record the payment of remaining credits for each electronic pull-tab device when it is returned by the player.

H. Any unclaimed credits left in the device will be retained by the organization and reported as other income.

I. At the end of each month, an organization must report in a format prescribed by the Commissioner of Revenue the value of total sales, prizes paid and net receipts from electronic pull-tab games in play during the month.

Subp. 4. **Operation of cumulative paper pull-tab game.** In addition to the requirements of subpart 3 the following items pertain to the conduct of a cumulative paper pull-tab game.

A. Cumulative pull-tab games may only be played with deals having the same form number from the same family and manufacturer.

B. An organization may have more than one deal in a cumulative pull-tab game in play at the same time but may not commingle deals.

C. The organization must post the prize pool board until the cumulative game is completed or is discontinued by the organization.

D. When a seal winner is determined for a deal, the seller must open or uncover the seal on the prize pool board and award the prize.

E. When closing or discontinuing a deal within a cumulative pull-tab game, the organization must immediately open or uncover the seal for that deal to determine a winner, if any.

Subp. 5. **Operation of multiple seal paper pull-tab game.** In addition to the requirements of subpart 3, the following items pertain to the conduct of a paper pull-tab game with multiple seals.

A. When a ticket with a seal number is presented to a seller, the seller must open or uncover the seal as designated on the ticket and award the prize.

D. When the game is closed, all unclaimed and unsold seals must remain sealed or covered.

Subp. X. Operation of multiple seal electronic pull-tab game. In addition to the requirements of subpart X, the following items pertain to the conduct of an electronic pull-tab game with multiple seal (bonus play).

A. When a ticket with a seal (bonus win) indicator is presented to a player, the player must open or uncover the seal as designated on the ticket to reveal the prize.

B. When the game is closed, all unclaimed and unsold seals must remain sealed or covered.

Subp. 6. **Operation of progressive paper pull-tab game.** In addition to the requirements of subpart 3, the following items pertain to the conduct of a progressive paper pull-tab game.

A. A progressive pull-tab game may only be played with deals having the same form number from the same family and manufacturer.

B. Each deal in a progressive pull-tab game must contribute the same amount towards the progressive jackpot. When the progressive jackpot reaches the jackpot amount listed on the flare, no additional contribution may be made to the progressive jackpot.

C. The holder of a pull-tab ticket that allows the player to be a potential jackpot winner must also complete a contact information form that includes the organization and game information, holder's name, address, telephone number, and the selected progressive jackpot window or windows to be opened or uncovered if the player is the seal prize winner.

D. If the seal prize winner is present, the winner must select a progressive jackpot window or windows to be opened or uncovered by the seller. If the winner is not present, the seller opens or uncovers the window or windows the player has selected and recorded on the contact information form.

E. If there is no seal prize winner or the progressive jackpot is not won, the next deal may be put in play or the progressive pull-tab game may be closed.

F. When the progressive jackpot is won, the organization must:

(1) have the winner complete and sign a progressive pull-tab jackpot prize receipt. If the winner is not present when the jackpot window or windows are opened or uncovered, the organization must send the prize receipt and notification letter to the winner by certified mail within two business days. If the jackpot winner does not claim the prize within 30 days of the date the certified letter was mailed, the prize will be forfeited by the player;

(2) pay the winner by check within two business days of receipt of the signed prize receipt. The organization may pay the winner with cash if the jackpot prize is \$599 or less and the seal prize winner is present when the winning seal is opened or uncovered; and

(3) furnish the winner with appropriate federal and state tax forms.

Subp. X. Operation of progressive electronic pull-tab game. In addition to the requirements of subpart X, the following items pertain to the conduct of a progressive electronic pull-tab game.

A. A progressive pull-tab game may only be played with deals having the same form number from the same family and manufacturer.

B. Each deal in a progressive pull-tab game must contribute the same amount towards the progressive jackpot. When the progressive jackpot reaches the jackpot amount listed on the flare, no additional contribution may be made to the progressive jackpot.

C. The player with a pull-tab ticket that allows the player to be a potential jackpot winner must select a progressive jackpot window or windows to be opened or uncovered.

D. If there is no seal prize winner or the progressive jackpot is not won, the next deal may be put in play or the progressive pull-tab game may be closed.

E. When the progressive jackpot is won, the organization must:

(1) have the winner complete and sign a progressive pull-tab jackpot prize receipt;

(2) pay the winner by check within two business days of receipt of the signed prize receipt. The organization may pay the winner with cash if the jackpot prize is \$599 or less; and

(3) furnish the winner with appropriate federal and state tax forms.

Subp. 7. **Use of a pull-tab dispensing device.** If a pull-tab dispensing device is used, the organization must comply with the following.

A. No more than three pull-tab dispensing devices in total may be installed or operated at a permitted premises by all organizations at the premises.

B. An organization may not install or operate a pull-tab dispensing device at a permitted premises that does not have a valid license for on-premises sales of intoxicating liquor or 3.2 percent malt beverages, except as allowed by Minnesota Statutes, section 349.151, subdivision 4b, paragraph (c).

C. An organization may not install or operate a pull-tab dispensing device at a permitted premises where persons under age 18 are allowed to participate as players in bingo occasions conducted by exempt or excluded organizations.

D. The pull-tab dispensing device must be located within view of a gambling employee or volunteer.

E. An organization may not use in a pull-tab dispensing device any pull-tab game that has a last sale prize.

F. An organization must assign a unique identification code to every person authorized to access a pull-tab dispensing device. An organization must maintain an access log, in a format prescribed by the board, for each pull-tab dispensing device that it operates. The active access log must be kept in an interior compartment and when completed must be removed and kept with the organization's records.

G. An organization must identify for players the pull-tab games that are placed in the individual columns of each pull-tab dispensing device.

H. When adding games to a pull-tab dispensing device, an organization must randomly put the entire deal into one or more columns. When tickets remain in only one column, the tickets may continue to be sold without further splitting into multiple columns.

I. An organization must maintain complete control of its pull-tab dispensing devices. The gambling manager is responsible for all keys to each pull-tab dispensing device with the following requirements.

(1) For each pull-tab dispensing device, the organization must maintain a key log on a form prescribed by the board. The key log must contain, at a minimum, the following information:

(a) names of organization employees who are assigned custody of one or more keys and the dates the keys were assigned; and

(b) any instance in which the custody of any key changes from one organization employee to another, including the date of the change and the name of the organization employee accepting the key.

(2) If one or more keys is lost or stolen, the organization must have the entire lockset replaced by a licensed distributor or the licensed manufacturer of the pull-tab dispensing device.

(3) A duplicate key to any exterior door or interior compartment must not be made.

(4) Keys to the cash compartment may not be assigned to the lessor or lessor's employees unless the pull-tab dispensing device has a separate locked cash box within the cash compartment, and the lessor or lessor's employees needs the key to remove and secure the cash box at the close of business for the day. The lessor or lessor's employees must record the currency meter readings in the access log whenever they open the cash compartment to remove the cash box. An organization may not assign the keys to the cash box to a lessor or lessor's employees.

J. If there is a catastrophic failure of a pull-tab dispensing device, the organization must notify the board and receive its approval before clearing, erasing, or replacing the access and accounting indicators.

K. An organization employee opening the cash compartment must remove all the cash and record the currency meter readings in the access log.

L. Only licensed manufacturers, distributors, or authorized organization employees may perform service or maintenance on pull-tab dispensing devices. An organization must not modify the assembly or operational functions of a pull-tab dispensing device or any of its components.

Subp. 8. **Commingled deals in a pull-tab dispensing device.** The following items apply to commingled deals of pull-tabs.

A. An organization may commingle two or more single deals of pull-tabs in a pull-tab dispensing device if:

(1) the deals are identical in the type of game, ticket, color, form number, and quantity of pull-tabs per deal;

(2) each deal has a separate flare displaying the bar code and serial number; and

(3) the flares have the same ticket price, amount of prizes, and prize denominations.

B. An organization must remove commingled deals from play at the end of each month for the purpose of reporting the sales from the deals on that month's tax return as prescribed by the commissioner of revenue. The organization must report on the tax return the deals for which all tickets have been sold or the deals that the organization chooses not to return to play. The organization may return commingled deals to play when the required information has been determined.

C. The board may prohibit an organization from commingling deals of pull-tabs if it determines that the organization cannot account for the amount of actual cash profit from each commingled deal of pull-tabs.

Subp. X. Commingled deals in an electronic pull-tab device. The following items apply to commingled deals of pull-tabs in an electronic pull-tab device.

A. An organization may commingle up to two single deals of pull-tabs in a electronic pull-tab device if:

(1) the deals are identical in the type of game, ticket, color, form number, and quantity of pull-tabs per deal;

(2) each deal has a separate flare displaying the bar code and serial number; and

(3) the flares have the same ticket price, amount of prizes, and prize denominations.

B. An organization may remove commingled deals from play at the end of each month for the purpose of reporting the sales from the deals on that month's tax return as prescribed by the commissioner of revenue. The organization must report on the tax return the deals for which all tickets have been sold or the deals that the organization chooses not to return to play.

C. The board may prohibit an organization from commingling deals of pull-tabs if it determines that the organization cannot account for the amount of actual cash profit from each commingled deal of pull-tabs or purposely delaying the reporting of closed games for tax payment.

Subp. 9. **Standards for cash registers.** If an organization uses a cash register in the conduct of pull-tabs, the cash register must:

A. be protected by a surge protector so that all existing data is preserved if electrical power to the cash register is interrupted;

B. have at least one keyed lock with a multiple function position capable of restricting access to accounting and auditing functions;

C. have an operating switch or lock that will allow the cash register to operate only when a unique identification code has been entered;

D. create a paper or magnetic media duplicate transaction journal following each transaction;

E. be capable of accepting a game's serial number and ticket price before that game is put into play;

F. have a screen that will display the value of currency given by the player and the amount of currency, if any, to be returned to the player;

G. be capable of recording the following information for each sale of a pull-tab:

- (1) date of the sale;
- (2) operator's unique identification code;
- (3) serial number of the game from which the pull-tab is purchased;
- (4) quantity of pull-tabs purchased; and
- (5) ticket price;

H. be capable of recording the following information for each redeemed winning pull-tab:

- (1) date of the prize payout;
- (2) operator's unique identification code;
- (3) serial number of the winning pull-tab; and
- (4) amount of the prize payout;

I. be capable of recording and maintaining the information required for each game of pull-tabs in play, and be capable of producing a printout for any or all of the games in play at any time; and

J. be capable of printing out the final game record and deleting the game from its transaction records after a pull-tab game is closed.

Subp. 10. **Use of cash register; monthly audit and reconciliation report.** If an organization uses a cash register in the conduct of pull-tabs, the organization must:

A. use the cash register exclusively for the conduct of lawful gambling;

B. be able to identify, by transaction, each employee or volunteer who uses a cash register to sell and redeem pull-tabs;

C. have sole responsibility for all keys used to operate the cash register;

D. enter the following information into the cash register before placing a pull-tab deal into play:

- (1) the game's serial number; and
- (2) the ticket price, which must be identical to the ticket price on the flare;

E. ensure that the gambling employee or volunteer:

(1) uses the cash register key that corresponds to the game from which the player is purchasing the pull-tab;

(2) enters the number of pull-tabs purchased; and

(3) enters the dollar value of the currency given by the player;

F. ensure that when redeeming a winning pull-tab the gambling employee or volunteer:

(1) uses the cash register key that corresponds to the game from which the winning pull-tab is being redeemed; and

(2) enters the prize payout amount;

G. record as a pull-tab sale and as a redeemed pull-tab a transaction in which a player chooses to receive a pull-tab instead of a cash prize payout;

H. count cash at the end of each work period and record it in a format prescribed by the board. If the cash amount does not reconcile to the cash register totals for each game in play, the organization must prepare a cash register discrepancy report in a format prescribed by the board; and

I. on the last day of the month, perform an audit of all pull-tab games in play and reconcile the results to the cash register bank on a form prescribed by the board.

(1) For each game in play, the information must include:

(a) game name and serial number;

(b) ideal and actual gross receipts;

(c) total value of unsold tickets;

(d) total value of prizes paid; and

(e) net receipts.

(2) The reconciliation of the cash bank must include:

(a) total amount of cash in the cash register less the starting cash bank amount, if any;

(b) amount of cash long or short, if any; and

(c) the adjustments made, if any, to balance the amount of cash in the register to the total net receipts for the games in play.

The board may prohibit an organization from using a cash register if it determines that the organization cannot account for the amount of the actual gross receipts from sales, the actual value of prizes awarded, and cash short or cash long from each deal of pull-tabs.

Subp. 11. **Records and reports.** An organization must keep all records, reports, and prize receipts relating to a pull-tab game for 3-1/2 years and upon request make them available to the board.

A. While a pull-tab deal is in play, an organization must keep all records, reports, and prize receipts for the deal at the permitted premises.

B. For each deal of paper pull-tabs the organization must keep the flare, with the bar code attached, and all redeemed and unsold pull-tabs separated by game serial number. **For each deal of electronic pull-tabs the organization must keep the game summary report depicting the serial number of the game, tickets sold, prizes redeemed, net receipts and dates for when the game was in play.** Commingled deals of paper pull-tabs that were commingled while in play must be separated by game serial number after being removed from play. The organization must not open any unsold or defective pull-tabs.

C. For each deal of paper pull-tabs removed from play during that month, an organization must complete a monthly report in a format prescribed by the commissioner of revenue, as required by Minnesota Statutes, section 297E.06.

X. For all electronic pull-tab deals in play during the month, an organization must complete a monthly report depicting the total sales, prizes paid and net receipts for those games in a format prescribed by the commissioner of revenue, as required by Minnesota Statutes, section 297E.06

D. When using cash registers, an organization must keep all cash count, discrepancy, and reconciliation reports, along with all other records for the game.

E. When using a pull-tab dispensing device, an organization must keep all access logs along with all other records for each pull-tab game dispensed from the device.

Subp. 12. **Disposal of pull-tab games and records.** The following items apply to the disposal and destruction of games and records.

A. The organization must keep a played **paper** pull-tab game, flare, prize pool boards that contain unopened seals, and all records for that game for 3-1/2 years following the end of the month in which the pull-tab game was played and reported as a played game on the tax return. **Game summary records for played electronic pull-tab games must be kept for 3-1/2 years following the end of the month in which the game was reported as closed.**

B. The organization may destroy a played pull-tab game and the records for that game when the retention period in item A expires, except as required by item C. The game must be completely destroyed using a method such as shredding or burning.

C. An organization must keep the pull-tab game and records after the retention period in item A expires if the organization is notified by the board, commissioner of revenue, commissioner of public safety, or their agents that an audit, compliance review, or investigation is being conducted.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: *April 7, 2011*

7861.0290 TIPBOARDS.

Subpart 1. **Restrictions.** In addition to the restrictions and requirements in part 7861.0260, the following apply to conduct of tipboards.

A. An organization must not redeem tickets that were sold by another organization.

B. An organization must not transfer games in play from one permitted premises to another.

C. At a leased permitted premises, an organization must not transfer games in play between a booth and bar operation.

D. If an organization owns the permitted premises, the organization may transfer games in play between its booth and bar operations.

Subp. 2. **Posting of information and flare.** In addition to the information required by part 7861.0260, subpart 2, an organization must prominently post at the point of sale the flare of a tipboard deal.

A. If a progressive tipboard game is played, the organization must also post the flare containing the current progressive jackpot amount while the game is in play.

B. An organization may not change the prizes printed on the tipboard by the manufacturer except to post a progressive jackpot amount.

C. The organization may not use a tipboard that it receives in an altered or defaced condition except for flares that contain a last sale sticker added by the distributor.

Subp. 3. **Operation of tipboard game.** The following items apply to the game of tipboards.

A. All tipboard tickets for a tipboard deal must be placed out for play at the same time.

B. An organization must sell the tipboard tickets or group of banded tickets for the price printed on the flare. A tipboard ticket may not be given to a player free of charge or for any other consideration.

C. An organization may not pay a player unless the player redeems a winning tipboard ticket.

D. A prize may not be awarded to any player for a lost, marked, defaced, or altered ticket, or for any winning tipboard ticket that left the permitted premises where the game is in play.

E. The seller must immediately deface a winning tipboard ticket when it is redeemed by the player.

F. When discontinuing or closing a tipboard deal, an organization must immediately open or uncover the seal to determine a seal winner, if any.

Subp. 4. **Operation of progressive tipboard game.** In addition to the requirements of subpart 3, the following items pertain to the conduct of a progressive tipboard game.

A. A progressive tipboard game may only be played with deals having the same form number from the same family and manufacturer.

B. Each deal in a progressive tipboard game must contribute the same amount towards the progressive jackpot. When the progressive jackpot reaches the jackpot amount listed on the flare, no additional contribution may be made to the progressive jackpot.

C. The holder of a tipboard ticket that allows the player to sign a predesignated line on the tipboard flare must also complete a contact information form that includes the organization and game information, holder's name, address, telephone number, and the progressive jackpot window selected to be opened or uncovered if the player is the seal prize winner.

D. If the seal prize winner is present, the winner must select a progressive jackpot window or windows to be opened or uncovered by the seller. If the winner is not present, the seller opens or uncovers the window or windows the player has selected and recorded on the contact information form.

E. If there is no seal prize winner or the progressive jackpot is not won, the next deal may be put in play or the progressive tipboard game may be closed.

F. When the progressive jackpot is won, the organization must:

(1) have the winner complete and sign a progressive tipboard jackpot prize receipt. If the winner is not present when the jackpot window or windows are opened or uncovered, the organization must send the prize receipt and notification letter to the winner by certified mail within two business days. If the jackpot winner does not claim the prize within 30 days of the date the certified letter was mailed, the prize will be forfeited by the player;

(2) pay the winner by check within two business days of receipt of the signed prize receipt. The organization may pay the winner with cash if the jackpot prize is \$599 or less and the seal prize winner is present when the winning seal is opened or uncovered; and

(3) furnish the winner with appropriate federal and state tax forms.

Subp. 5. **Operation of tipboard game with multiple seals.** In addition to the requirements of subpart 3, the following items pertain to the conduct of a tipboard game with multiple seals.

A. An organization may not commingle deals of tipboard games with multiple seals.

B. When a player presents a winning ticket for a predesignated seal, the seller must immediately open or uncover the predesignated seal on the flare and award the prize.

C. An organization may discontinue the play of a tipboard game with multiple seals before all tickets are sold in a deal.

Subp. 6. **Operation of cumulative tipboard game.** In addition to the requirements of subpart 3 the following items pertain to the conduct of a cumulative tipboard game.

A. Cumulative tipboard games may only be played with deals having the same form number from the same family and manufacturer.

B. An organization may have more than one deal in a cumulative tipboard game in play at the same time but may not commingle deals.

C. The organization must post the prize pool board until the cumulative game is completed or is discontinued by the organization.

D. When a seal winner is determined for a deal, the seller must open or uncover the seal on the prize pool board and award the prize.

E. When closing or discontinuing a deal within a cumulative tipboard game, the organization must open or uncover the seal for that deal to determine a winner, if any.

Subp. 7. **Records and reports.** An organization must keep all records, reports, and prize receipts for a tipboard game for 3-1/2 years and upon request make them available to the board.

A. While a tipboard deal is in play, an organization must keep all records, reports, and prize receipts for the deal at the permitted premises.

B. For each tipboard game an organization must keep the flare, with bar code attached, and all redeemed and unsold tipboard tickets separated by game serial number. The organization must not open any unsold or defective tipboard tickets.

C. For each progressive tipboard game, an organization must record at a minimum the following information in a format prescribed by the board:

(1) date that each deal was placed into play;

(2) deal information, including serial number, total quantity of tickets, quantity and denomination of winning tickets, quantity of winning tickets that allow a player to progress to the jackpot round, and quantity of tickets sold for that deal;

(3) amount contributed to the progressive jackpot;

(4) date the winner of the progressive jackpot was determined and notified; and

(5) date the progressive jackpot was redeemed.

D. For each tipboard game removed from play during that month, an organization must complete a monthly report in a format prescribed by the commissioner of revenue, as required by Minnesota Statutes, section 297E.06.

Subp. 8. **Disposal of played tipboards and records.** The following items apply to the disposal and destruction of games and records.

A. An organization must keep a played tipboard game, flare, and all records for that game for 3-1/2 years following the end of the month in which the tipboard was played and reported as a played game on the tax return.

B. An organization may destroy a played tipboard game and the records for that game when the retention period in item A expires, except as required by item C. The game must be completely destroyed using a method such as shredding or burning.

C. An organization must keep the tipboard game and records after the retention period in item A expires if the organization is notified by the board, commissioner of revenue, commissioner of public safety, or their agents that an audit, compliance review, or investigation is being conducted.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: *April 7, 2011*

7861.0300 PADDLEWHEELS.

Subpart 1. **Restrictions.** In addition to the restrictions and requirements in part 7861.0260, the following apply to the conduct of paddlewheels.

A. Paddlewheels must be played using paddletickets, paddleticket cards, and a paddlewheel. A game of paddlewheels may be conducted with or without a paddlewheel table.

B. Each paddleticket card must have a paddleticket card number preprinted on the stub and on each attached paddleticket. Each paddleticket card must have a different paddleticket card number. An organization must not have two paddleticket cards with the same number in its possession.

C. An organization must use paddletickets that are attached to a paddleticket card.

D. All paddletickets on a paddleticket card must be sold before the paddlewheel is spun. If all the paddletickets on the card cannot be sold, the organization must refund the cost of the paddletickets to the players. The unplayed paddletickets must be returned to and defaced by the organization.

E. The paddlewheel must be spun by the paddlewheel operator and make at least four complete revolutions before stopping. If four complete revolutions are not made, the spin is not valid and the paddlewheel must be spun again. An organization may not have multiple spins of the paddlewheel to award multiple prizes for one paddleticket card.

F. The winning number is determined by the position of the pointer when the paddlewheel stops spinning. If the pointer stops on top of a peg, the number preceding the peg is the winning number.

G. A prize may only be awarded to the holder of a winning paddleticket.

H. An organization must not transfer paddlewheel games in play to another permitted premises.

Subp. 2. **Balancing, opening, closing, maintenance, and inspection of mechanical paddlewheels.** The following requirements for the balancing, opening, closing, maintenance, and inspection of paddlewheels apply to all paddlewheel games.

A. To open a paddlewheel, the paddlewheel operator must inspect each peg and the pointer for uneven wear and replace any worn peg or worn pointer.

B. The paddlewheel operator must check the balance of the paddlewheel by:

(1) inspecting the back of the paddlewheel for a foreign object that may affect the paddlewheel's balance;

(2) positioning the pointer so it does not interfere with the spin of the paddlewheel; and

(3) slowly rotating the paddlewheel 45 to 90 degrees at a time in one direction. The paddlewheel operator must determine whether there is any abnormality in the rotation or any reverse rotation after the paddlewheel stops. The wheel must continue to be rotated until the entire wheel has been evaluated by this method in both directions. If the paddlewheel is out of balance, the organization must balance the paddlewheel before conducting paddlewheels.

C. To close a paddlewheel, the paddlewheel operator must place a cover over the paddlewheel or otherwise make it inoperable.

Subp. X. Testing and maintenance of an electronic paddlewheel. The following requirements for the testing and maintenance of an electronic paddlewheel applies to all paddlewheel games.

- A. **Prior to initial operation, the electronic paddlewheel must be registered and approved by the Board.**
- B. **The electronic paddlewheel must be secured when not in use to prevent any tampering or unauthorized use.**
- C. **Login access to the operation of the paddlewheel is restricted to the operator of the game, the gambling manager and the licensed distributor.**
- D. **Prior to the acceptance of any wager, the operator of the game shall run a test game to verify the electronic paddlewheel is operating according to the manufacturing standards for the device.**
- E. **A login report will be maintained by the organization depicting the time and date for each time the electronic paddlewheel was accessed for testing purposes or for actual play, Log will include start and end times of access.**

Subp. 3. **Posting of information for paddlewheels without a paddlewheel table.**

In addition to the information required by part 7861.0260, subpart 2, an organization must prominently post at the point of sale:

A. clear and legible house rules that include, at a minimum, the following information:

(1) all paddletickets on a card must be sold before the paddlewheel is spun;

(2) the paddlewheel must make at least four complete revolutions before the pointer stops. If the pointer stops on top of a peg, the number preceding the peg is the winning number;

(3) the winner is not required to be present when the paddlewheel is spun; and

(4) the winner must claim the prize by the conclusion of the activity for the day;

B. the master flare for the paddlewheel game, which the organization may not change; and

C. a clear and legible sign stating the amount of any cash prize and the fair market value of all merchandise prizes to be awarded for each **game spin**.¹⁰

Subp. 4. **Conduct of paddlewheels without a paddlewheel table.** The following items apply to the conduct of paddlewheels without a paddlewheel table.

A. The sale of paddletickets must comply with the following:

(1) Each ticket on a paddlecard must be sold for the same price and must be a separate and equal chance to win as all other paddletickets with the same paddleticket card number.

(2) In order to play, a person may not be required to purchase more than one paddleticket or pay for anything other than the ticket.

~~(3) All the paddletickets sold for a spin of the paddlewheel must have the same paddleticket card number.~~¹¹

(4) The paddletickets must be sold on the permitted premises on the same day the paddlewheel is spun.

B. The redemption of a winning paddleticket and the awarding of a prize must comply with the following.

(1) To be eligible for the prize, a player is not required to be present when the paddlewheel is spun.

(2) All winning tickets must be redeemed before the conclusion of the activity for that day. Otherwise, the player forfeits the prize.

(3) For each redeemed winning paddleticket, an organization must keep a record of the date played and the cash prize amount or merchandise prize awarded.

Subp. 5. **Posting of information for paddlewheels with a paddlewheel table.** In addition to the information required by part 7861.0260, subpart 2, an organization must prominently post at the point of sale clear and legible information including, at a minimum, the following:

A. information required by subpart 3, item A, subitems (1) and (2);

B. the master flare for the paddlewheel game, which the organization may not change;

C. cash denominations at which paddlewheel chips issued by the organization are sold and redeemed;

D. a player must first purchase paddlewheel chips from the paddlewheel operator;

E. chips must be safeguarded. A chip dropped into a table betting slot must be retrieved by authorized organization employees;

F. a player must purchase with chips only as many paddletickets as the player desires to bet on the immediate next spin of the paddlewheel;

¹⁰ Allows value of prize to vary from spin to spin.

¹¹ Allows multiple paddlecards to be sold for a single spin. This is helpful to organizations when demand for tickets is especially high.

G. a player is assigned a unique identification number that the player must write on the back of purchased paddletickets;

H. the player places a bet by inserting a paddleticket in a selected betting slot on the paddlewheel table. Jammed tickets are void;

I. a player may not touch a paddleticket after the paddlewheel operator announces "bets closed" and until the operator announces "place bets";

J. a winning "odd" or "even" bet is determined by a winning number of only the designated colored circle. However, a player loses all "odd" and "even" bets if the pointer stops on a specially designated "house number." This rule must be posted only if an "odd" or "even" bet is accepted;

K. a prize payout is made in chips that must be redeemed through the cashier; and

L. a player must be present to win.

Subp. 6. **Conduct of paddlewheels with a paddlewheel table.** The following items pertain to the conduct of paddlewheels with a paddlewheel table.

A. Before conducting a paddlewheel game with a paddlewheel table, the organization's gambling manager must attend a board-authorized class on the conduct of paddlewheels with a paddlewheel table. Thereafter a replacement gambling manager must attend a board-authorized class on the conduct of paddlewheels with a paddlewheel table within 60 days of the effective date of the new gambling manager's license.

B. No more than two paddlewheel tables may be at a permitted premises. If there are two paddlewheel tables at a permitted premises, each table and its drop boxes must have a separate and unique paddlewheel table identification number.

C. To open a paddlewheel for use, a gambling employee or volunteer must inspect the cavity of the table for any paddleticket, paddlewheel chip, or foreign object that may have fallen through the slots, and must attach a paddlewheel chip tray and lock a paddlewheel drop box to the table.

D. For the sale of paddlewheel chips and paddletickets the organization must comply with the following.

(1) All paddletickets must be sold on the permitted premises immediately before a spin to be valid for that spin.

(2) Each ticket on the paddlecard must be sold for the same price and must be a separate and equal chance to win with all other paddletickets sold for the spin.

(3) The player must purchase paddlewheel chips and paddletickets from the paddlewheel operator at the paddlewheel table.

(4) A player must purchase paddletickets only with paddlewheel chips, except that paddletickets for the immediate next spin may be purchased directly with cash in an amount equal to the value of the tickets.

(5) When a player first purchases paddlewheel chips, the operator must give the player a card containing a unique identification number. The player must return the card to the operator when the player stops playing.

(6) Only chips may be used that comply with the standards in subpart 9.

E. Upon receiving currency from a player for the purchase of paddlewheel chips or paddletickets, the operator must:

(1) spread each bill of currency face down and flat, in sequence of denomination, in the inner table area perpendicular to the chip tray, and momentarily move the operator's hands away from the currency so the currency is within the camera's view;

(2) spread the paddlewheel chips or purchased paddletickets out on the playing surface, and momentarily move the operator's hands away from the chips or paddletickets so that the chips or paddletickets are within the camera's view;

(3) restack the chips and push them to the player; and

(4) place the currency in the drop box after giving the player the chips or paddletickets.

F. The placement of bets must comply with the following.

(1) Each player must write the player's assigned identification number on the back of the player's paddletickets before placing the tickets in a betting slot on the paddlewheel table.

(2) A player must bet all of the player's purchased paddletickets on the immediate next spin. Any purchased but unplayed tickets are not valid, must not be used on any other spin of the paddlewheel, and must be given back to the operator who must treat them as losing tickets.

(3) To bet, a player must place the purchased paddleticket in a betting slot on the paddlewheel table. If the player forces the ticket all the way through the slot into the cavity of the table, the paddleticket is not valid and must be treated as a losing ticket.

(4) The paddlewheel operator must announce "bets closed" when the paddlewheel operator has determined that:

(a) no other player wants to purchase a paddleticket for the immediate next spin;

(b) there is no partially sold paddleticket card; and

(c) the players have bet all their tickets.

After that, a player may not bet a paddleticket, change a bet of a previously placed ticket, touch any ticket, or place the player's hands on top of the paddlewheel table.

(5) The paddlewheel operator may assist a player with a disability if the operator first verbally announces to all players at the table that assistance is being given.

G. The paddlewheel operator must record each spin in the following manner.

(1) The paddlewheel operator must sequentially number each paddlewheel spin for each day of activity beginning with "one" for the first spin of the day, progressing until activity for the day is completed.

(2) The spin number must be written with a nonerasable marker in a consistent manner either on:

(a) the face of the first paddleticket card stub for which paddletickets have been sold for a particular spin; or

(b) the back of the last stub from which tickets have been sold for a particular spin.

(3) All spin numbers must be recorded in the same location on the stub.

(a) When the sale of tickets for a particular spin continues into a new sealed grouping of paddleticket cards, the sequential spin number must then be written on the face of the first stub of the group from which tickets are continuing to be sold.

(b) For each subsequent spin of the same group of paddleticket cards, the spin number must be written in a consistent manner on either the face of the first stub for which paddletickets have been sold or on the back of the last stub from which tickets have been sold.

(4) All tickets sold for a spin must have the same prize payout. If more than one group of paddletickets is sold for a spin, the master flare for each group of tickets must be posted. At the end of the spin, the old flare must be removed.

(5) The paddlewheel operator must initial each paddleticket card stub with a nonerasable marker.

(6) After each spin, the paddlewheel operator must record with a nonerasable marker the winning number or numbers on:

(a) the face of the paddleticket card stub with the lowest serial number of the cards related to that spin of the paddlewheel; or

(b) the back of the paddleticket card stub with the highest serial number of the cards related to that spin of the paddlewheel.

H. When redeeming a winning paddleticket and awarding a prize, the organization must comply with the following.

(1) The paddlewheel operator must remove all losing paddletickets from the slots on the paddlewheel table and in view of the players tear in half and discard the torn tickets in a container that is not easily accessible by a player.

(2) Next, the operator must pay off the winning tickets, if any, slot by slot. To pay off the winning tickets, the operator must:

(a) circle or record, in ink, the winning number or set of numbers on the face or on the back of the winning ticket;

(b) pay off the winning ticket in chips to the player who has the card containing the unique identification number written on the back of the ticket; and

(c) record the prize amount in ink on the face or on the back of the winning ticket.

I. To close a paddlewheel, a paddlewheel operator must tell the players that their paddlewheel chips must be redeemed through the cash bank cashier. A paddlewheel operator must collect all identification cards from the players.

Subp. 7. **Use of paddlewheel video surveillance system for paddlewheels with a paddlewheel table.** The following items apply to the conduct of paddlewheels with a paddlewheel table.

A. Within 14 days of the initial operation of a paddlewheel table **or within 14 days of switching to a new video surveillance system**,¹² the organization must send to the board a video recording of at least one day's activity. The board must review the video recording to verify that the organization is complying with rule requirements. If the board determines the video recording does not meet rule requirements, the organization must make corrections before resuming paddlewheel activity.

¹² Language is needed to ensure that changes to the video surveillance system are reviewed for compliance with the standards in this subpart.

B. An organization must use a video surveillance system that meets, at a minimum, the following requirements:

(1) be capable of filming at the same time the paddlewheel table rail to rail and a ~~small~~ picture of the wheel pointer and number ~~within a big picture~~ of the paddlewheel table;¹³

(2) not have an audio recorder;

(3) record real date and time of activity;

(4) allow for immediate verification of the value of chips, placement and payment of bets, the pointer, the winning number on the paddlewheel, and drop box slot; **and**

(5) show the identification number of the paddlewheel table when an organization conducts more than one paddlewheel table- ; **and**

(6) record the paddlewheel activity in a format prescribed by the director.¹⁴

C. When using a video surveillance system, the paddlewheel table and paddlewheel must be in plain view and not be blocked.

D. The organization must maintain the video surveillance equipment to ensure the quality of the recording of activity at the paddlewheel table. The organization must close the paddlewheel table if the video surveillance system is not properly operating or fails to comply with this subpart.

E. Only a gambling manager, shift manager, or an independent person are authorized to do the following:

(1) start and stop the video surveillance system from the time a paddlewheel table is open for the day to the closing of the paddlewheel table. The system may be preprogrammed to start and stop at set times; **and**

(2) access an organization's video surveillance system and recordings. The system must be locked and inaccessible to the paddlewheel table operator; **and**

(3) ~~change a video recording in the video surveillance system at the beginning, during, or at the end of a day's paddlewheel activity.~~¹⁵

F. Each week an independent person must review at a minimum one day's activity per table. A log must be kept showing who conducted the review and when it was conducted.

G. The organization must keep the recordings in a safe and secure storage place for 30 days. The recordings may not be accessible to the paddlewheel table operator.

H. For purposes of this subpart, an "independent person" does not include the paddlewheel cashier or operator, and if the premises is leased does not include the lessor, the lessor's immediate family, or the lessor's employees.

¹³ This allows for the video of the table and the pointer to be presented in a side-by-side format or a picture-within-picture format.

¹⁴ This allows the director to modify the format to allow for technology changes and to ensure that the board has the necessary equipment to view the recordings. For example, the director could stipulate that the paddlewheel recordings be viewable with a Windows Media player.

¹⁵ This language is not necessary as video recordings no longer need to be changed.

Subp. 8. **Operating procedures and internal controls for paddlewheels with a paddlewheel table.** The following operating procedures and internal controls apply to the conduct of paddlewheels with a paddlewheel table.

A. An organization is responsible for the safeguarding and secure storage of paddleticket cards and paddlewheel chips.

B. An organization must redeem paddlewheel chips for cash at the value for which they were sold. The chips must be redeemed only through the paddlewheel chip and cash bank cashier. The organization must keep the cash bank used to redeem paddlewheel chips separate from all other organization cash. Until the organization completes the records for the time period during which the chips were redeemed, the organization must keep redeemed chips separate and apart from the chip bank.

C. All tips must be made only with paddlewheel chips. A paddlewheel operator must redeem paddlewheel chips received as tips through the paddlewheel chip and cash bank cashier and may not exchange those chips for other chips from any chip tray.

D. An organization may not transfer or make change of chips directly from one table to another table.

E. When paddlewheel chips are distributed to a paddlewheel table from the chip bank, the paddlewheel chip and cash bank cashier must prepare a fill slip. The fill slip must be at least a two-part carbonless form and include at a minimum the following information:

(1) date and time;

(2) denomination of chips;

(3) quantity and total dollar value, by denomination, of chips;

(4) total dollar value of chips; and

(5) if there is more than one paddlewheel table located at the permitted premises, the table identification number.

The cashier must keep the original copy of the fill slip. The paddlewheel operator must deposit the duplicate copy of the fill slip in the paddlewheel table drop box.

F. When paddlewheel chips are returned from the paddlewheel table to the chip bank, the paddlewheel operator must prepare a credit slip which must be at least a two-part carbonless form. The same information must be recorded on the original and duplicate credit slip as on a fill slip. The paddlewheel operator must deposit the original copy of the credit slip in the paddlewheel table drop box, and the cashier must keep the duplicate copy of the credit slip.

G. After play has started, the paddlewheel operator must keep the money plunger in the paddlewheel table drop box slot while the drop box is attached to the table. The paddlewheel operator must remove the money plunger when coin, currency, or forms are being inserted into the drop box.

H. The paddlewheel operator must immediately place all cash received for paddlewheel chips into the drop box. The contents of the drop box may not be accessed by any person before the drop box cash count.

I. An organization employee or volunteer, who is not the paddlewheel operator or paddlewheel chip and cash bank cashier, must keep and control the key to at least one lock securing the contents of the paddlewheel drop box during the time a paddlewheel is in play.

J. At the end of the activity, the paddlewheel operator must remove and secure the unopened drop box.

K. The drop box must be opened and the cash counted by two organization employees or volunteers, only one of which may be the paddlewheel operator or the chip and cash bank cashier. The cash count must be verified by a third person.

Subp. 9. **Standards for paddlewheel chips for paddlewheels with a paddlewheel table.** The following standards apply to paddlewheel chips used with a paddlewheel table.

A. Paddlewheel chips must not be made of plastic, wood, or paper.

B. An organization must issue paddlewheel chips in denominations of \$1, \$2, \$5, or \$25. \$1 chips must be white, \$2 chips must be yellow, \$5 chips must be red, and \$25 chips must be green.

C. Each chip must have permanent edge spots that are different in color than the rest of the chip.

D. Each paddlewheel chip must be clearly and permanently impressed, engraved, or imprinted with the organization's license number and the dollar value of the chip.

Subp. 10. **Bet and prize payout restrictions for paddlewheels with a paddlewheel table.** The following bet and prize payout restrictions apply to the conduct of paddlewheels with a paddlewheel table.

A. A player must not place a bet that exceeds one or more of the following limits:

- (1) \$50 in aggregate for a spin of the paddlewheel;
- (2) \$10 on a single number;
- (3) \$25 for a line bet; and
- (4) \$25 on either "odd" or "even."

A bet is void if it exceeds one or more of these limits. The paddletickets used to make the excess portion of the bet must be treated as losing tickets.

B. The prize payout must be a predetermined variable multiple of the amount wagered, must be made in paddlewheel chips, and must not exceed the following ratios:

- (1) 40 to 1 for a bet on a single number in the outer concentric circle of the paddlewheel;
- (2) 20 to 1 for a bet on a single number in the middle concentric circle of the paddlewheel;
- (3) 10 to 1 for a bet on a single number in the inner concentric circle of the paddlewheel;
- (4) 5 to 1 for a line bet; or
- (5) 2 to 1 for an "odd" or "even" bet.

Subp. 11. **Records and reports.** An organization must keep all records, reports, and prize receipts for a paddlewheel game for 3-1/2 years and upon request make them available to the board.

A. For each paddlewheel game, an organization must keep the master flare, all redeemed and unsold paddletickets, and all paddlecard stubs.

B. When using a paddlewheel with a table, an organization must complete forms prescribed by the board that account for cash banks, chips, receipts, operator sales, prize receipts, and operator percent of hold. An organization must keep records to account for the paddletickets, paddleticket cards, paddlewheel chips, gross

receipts, actual net receipts, actual cash profit, and cash long or short for each separate time period on each day that a paddlewheel table is open for play.

C. For each separate time period that a paddlewheel table is in use, an organization must keep a record of the following information:

- (1) premises permit number;
- (2) table identification when the organization uses more than one table;
- (3) dates and times that the paddlewheel was open for play;
- (4) starting and ending cash bank amount;
- (5) starting and ending paddlewheel chip inventories by denomination and total dollar value; and
- (6) denomination and total dollar value of paddlewheel chips taken to the table from inventory, taken from the table to inventory, and redeemed for cash.

D. The organization must deface all unsold paddleticket cards when closing a grouping of paddleticket cards.

E. At the end of the month, the organization must close from play all partially played groupings of paddleticket cards and report as unsold any unplayed paddleticket cards.

F. For each sealed grouping of 100 or fewer sequentially numbered paddleticket cards from which paddletickets were sold that month and closed from play, an organization must complete a monthly report in a format prescribed by the commissioner of revenue, as required by Minnesota Statutes, section 297E.06.

Subp. 12. **Disposal of played paddlewheel tickets and records.** The following items apply to the disposal and destruction of tickets and records.

A. An organization must keep redeemed paddlewheel tickets, unsold tickets, and master flares for 3-1/2 years following the end of the month in which the game was played and reported as a played game on the tax return.

B. An organization may destroy paddlewheel records, redeemed paddletickets, unsold tickets, and master flares when the retention period in item A expires, except as required by item C. The game must be completely destroyed using a method such as shredding or burning.

C. An organization must keep the game and records after the retention period in item A expires if they are notified by the board, commissioner of revenue, commissioner of public safety, or their agents that an audit, compliance review, or investigation is being conducted.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: *April 7, 2011*

7861.0310 RAFFLES.

Subpart 1. **Raffle ticket requirements.** Raffle ticket requirements are as follows.

A. Raffle tickets must have a detachable section and both parts must be sequentially numbered, starting with the number "1" and continuing through the maximum number of tickets to be sold. This does not pertain to raffle tickets that may be used only by exempt or excluded organizations under Minnesota Statutes, section 349.173, paragraph (a).

B. The detachable section must contain spaces for the purchaser's name, address, and telephone number.

C. The following information must be printed on each ticket:

- (1) organization name and license or exemption number;
- (2) date, time, and location of the selection or determination of winning entries;
- (3) sequential number of the ticket;
- (4) ticket price; and

(5) at a minimum the three most valuable prizes to be awarded, including a statement regarding the winner's responsibility for any applicable fees or taxes. If all prizes are not listed on the raffle ticket, the ticket must contain the statement "A complete list of additional prizes is available upon request."

D. Raffle tickets must not contain the words "suggested donation" or any other implied request for money, other than the price printed on the raffle ticket.

E. The invoice for the printing of the tickets must show the quantity of tickets printed for each price level, the range of the sequential numbers, and the selling price printed on the tickets.

F. All raffle tickets must be the same size, shape, and thickness.

Subp. 2. **Multiple pricing levels of raffle tickets.** A raffle may consist of multiple sets of tickets sold at different prices if the tickets comply with the following requirements.

A. Each price level of tickets must have a separate set of sequentially numbered tickets starting with number "1" through the maximum number of tickets to be sold at that price level.

B. Each set of tickets must be clearly identifiable from other tickets for the same raffle sold at a different price level.

C. All raffle tickets must be the same size, shape, and thickness.

D. The invoice for the printing of the tickets must show the quantity of tickets printed for each price level, the range of the sequential numbers, and the selling price printed on the tickets.

E. The organization must keep a separate raffle log for each set of tickets.

Subp. 3. **Posting of information and house rules.** In addition to the information required by part 7861.0260, subpart 2, items A and B, an organization must prominently post clear and legible house rules at the point where winners are determined. The house rules must include, at a minimum, the following:

- A. method and policy of selecting or determining winners;
- B. statement that the winner need not be present;
- C. policy on accepting checks and debit card payments;

D. statement that the purchase of only one ticket or certificate of participation is required to enter the raffle;

E. explanation of multiple pricing levels, if any;

F. persons under age 18 may not purchase a raffle ticket or certificate of participation or win a prize; and

G. if wine, beer, or intoxicating liquors are awarded as a raffle prize, persons must be age 21 and older to win, as required by Minnesota Statutes, section 340A.707.

Subp. 4. **Conducting a raffle.** The following items apply to the conduct of raffles as allowed under Minnesota Statutes, section 349.173.

A. Each entry in a raffle must have an equal chance to win in the raffle.

B. The organization may not require a person to purchase more than one ticket or certificate of participation, or to pay for anything else to enter a raffle.

C. An organization must sell each ticket for the price printed on the ticket. The organization must not give a player any ticket free of charge or for any other consideration.

D. The organization may not require a person to be present at a raffle to be eligible to win a prize.

E. Each seller must return to the organization all unsold tickets and the stubs or other detachable section of all tickets sold before the drawing.

F. Tickets or certificates of participation must not be sold after the organization has started the prize selection process.

G. When tickets are used, the following apply:

(1) before the first drawing for a prize, the organization must place all the stubs or other detachable section of every ticket sold into a receptacle from which the winning tickets must be drawn; and

(2) the receptacle must be designed so that each ticket placed in it has an equal chance to be drawn.

H. The organization must account for all proceeds and unsold tickets.

Subp. 5. **Conducting a calendar raffle.** An organization may conduct a calendar raffle in which the raffle ticket is a calendar containing a detachable stub.

A. A licensed organization may conduct drawings for a calendar raffle on more than one date.

B. An exempt organization must conduct drawings for a calendar raffle on the date or dates authorized by the board in compliance with Minnesota Statutes, section 349.166.

Subp. 6. **Conducting an alternative raffle.** If an organization uses an alternative method of selecting winners other than as prescribed in subpart 4, item G, the organization must obtain prior approval of the board. The request must include at a minimum:

A. organization's name and license or exemption number;

B. premises name and address where the raffle will be conducted;

C. type of random selection process to be used for determining winners;

D. details of the operation and conduct of the raffle, including method for selling certificates of participation;

E. record-keeping and accounting procedures for the raffle;

F. date organization membership approved the raffle and alternative method of selecting winners; and

G. signature of chief executive officer.

In considering the request, the board must ensure that the raffle and the alternative method of selecting winners comply with statutory and rule requirements for raffles. If approved, the alternative method may be used for future raffles by all organizations without additional board approval. The approval or denial must be made available upon request and must be posted on the board's Web site.

Subp. 7. **Conducting a button raffle.** An organization may conduct a "button raffle" allowed under Minnesota Statutes, section 349.173, paragraph (b), clause (2).

A. When a button is used as a certificate of participation, the button:

(1) must be sequentially numbered and have a corresponding ticket for the drawing;

(2) may be used by the holder for a free or reduced entry fee to an event that is sponsored by the organization, community, or other entity if there is no cost to the organization for the additional value of the button; and

(3) may be used to obtain merchandise for a reduced price or free.

The organization must account for all sold and unsold buttons and keep all corresponding tickets from the unsold buttons. Unsold buttons may be discarded.

B. When a button is provided with a certificate of participation:

(1) the certificate of participation must contain the information required in subpart 1, item C, and comply with subpart 1, items D, E, and F;

(2) the provisions of item A, subitem (2), apply; and

(3) the organization must account for all sold and unsold certificates. Unsold buttons may be discarded.

Subp. 8. **Raffle date.** An organization must select all raffle winners at the date, time, and location printed on the raffle tickets or certificates of participation.

A. An organization may request that the board's director allow the organization to change the raffle date if:

(1) weather has caused a postponement of the event at which the selection or determination of raffle winners was to occur;

(2) not enough tickets were sold to cover the cost of the prizes. The fact that a desired level of profit will not be reached is not a basis for extending the date; or

(3) other circumstances exist beyond the organization's control.

B. If a raffle date change is approved by the board's director, the organization must publicize that fact to purchasers of the tickets and document the approved date change in its monthly meeting minutes.

Subp. 9. **Canceling a raffle; issuing refunds.** To cancel a raffle an organization must comply with the following.

A. A raffle may only be canceled with approval of the board's director.

B. After receiving approval, the organization must return all money to persons who purchased a chance to participate in the raffle. If the organization is unable to locate a person within 30 days after reasonable attempts via mail and telephone, the organization must deposit the receipts and report them on the monthly tax return.

C. The organization must keep documentation with the raffle records showing the attempts made to reach all persons who purchased a chance to participate in the raffle.

D. A person is entitled to claim a refund for up to one year from the date of the canceled raffle.

Subp. 10. **Raffle log required.** An organization must maintain a raffle log including, at a minimum:

A. organization name;

B. total quantity of tickets printed;

C. price per ticket;

D. date of the raffle; and

E. information for each person given tickets to sell, including:

(1) person's name and telephone number;

(2) quantity and sequential number of tickets given to each person for sale;

(3) quantity of tickets sold;

(4) quantity and sequential numbers of the tickets returned unsold;

(5) actual gross receipts reported by each person;

(6) actual cash or debit card payment received from each person; and

(7) cash long or short reported by each person.

Subp. 11. **Records and reports.** For each raffle conducted, an organization must keep the following records for 3-1/2 years from the end of the month on which the raffle was reported as played on the tax return:

A. total amount of gross receipts;

B. total value of all prizes awarded in each raffle;

C. when tickets are used, the winning ticket stubs;

D. raffle log;

E. copy of the raffle ticket for each price level;

F. all unsold tickets;

G. for licensed organizations, a copy of the invoice for the printing of the tickets showing the quantity of tickets printed, the range of the sequential numbers used, and selling price printed on the tickets; and

H. if certificates of participation were used, records that comply with the information required in this subpart.

Subp. 12. **Disposal of raffle tickets and records.** The following items apply to the disposal and destruction of tickets and records.

A. A licensed organization may dispose of raffle tickets or certificates of participation and records after 3-1/2 years from the date the raffle was reported on the tax return.

B. An exempt organization authorized to conduct a raffle under Minnesota Statutes, section 349.166, subdivision 2, may dispose of raffle tickets or certificates of participation and records after 3-1/2 years from the date the financial information for the raffle was reported to the board.

C. An organization must keep the tickets or certificates of participation and records after the retention period in item A expires if they are notified by the board, commissioner of revenue, commissioner of public safety, or their agents that an audit, compliance review, or investigation is being conducted.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: *April 7, 2011*

7861.0320 ORGANIZATION OPERATIONS, ACCOUNTS, REPORTS, AND RECORDS.

Subpart 1. Internal accounting and administrative controls required.

A. An organization must establish and implement a written system of internal accounting and administrative controls for its lawful gambling operations, on a form prescribed by the board, in addition to any other documented procedures the organization has approved and implemented to meet the following objectives:

- (1) transactions are made with management's authorization;
- (2) gambling revenue transactions are recorded properly and completely to maintain accountability for assets;
- (3) assets are secured and access to assets is only permitted with management's authorization;
- (4) recorded gambling funds and equipment are monitored on an ongoing basis and discrepancies are resolved;
- (5) separation of duties, functions, and responsibilities to protect the organization from theft and fraudulent reporting and ensure compliance with all lawful gambling reporting requirements; and
- (6) fair play of the games to the public is not restricted.

B. The organization's members, gambling employees, or gambling volunteers must perform, at a minimum, the following duties:

- (1) prepare source documents that include:

(a) inventory records for daily tracking of game inventory, site inventory, monthly physical inventory, and merchandise inventory. The person who maintains the perpetual inventory must not be the same person who performs the physical inventory;

(b) gambling deposit slips;

(c) gambling occasion and daily activity records; and

(d) authorization for disbursements of gambling funds;

(2) provide oversight of lawful gambling including but not limited to:

(a) conduct of lawful gambling;

(b) monitoring the organization's permitted premises to detect illegal gambling;

(c) investigating cash variances;

(d) determining product to be purchased;

(e) ordering product;

(f) presenting the gambling report to members at the regular monthly meeting of the organization; and

(g) ensuring compliance with the lawful purpose rating under Minnesota Statutes, section 349.15, subdivision 1;

(3) hire, discipline, or fire employees;

(4) train employees;

(5) deposit gambling receipts into the bank accounts;

(6) verify cash banks; and

(7) verify that all gambling expenditures, equipment, assets, and receipts are properly accounted for.

C. The organization is responsible for verifying the accuracy of records and reports, including but not limited to:

(1) check register;

(2) monthly bank statement reconciliation;

(3) all tax returns and schedules;

(4) final audit of closed games;

(5) bank deposit reconciliation to game and bank records; and

(6) reconciliation of physical and perpetual inventories.

D. The organization must use the board-prescribed form to document the segregation of functional responsibilities for the organization's gambling operations, including the names or titles of persons who are responsible for:

- (1) presenting the monthly gambling report to the organization membership;
- (2) ensuring that prior authorization for all gambling expenditures is obtained;
- (3) recording the monthly gambling report and authorization of expenditures in the organization meeting minutes;
- (4) preparing checks and electronic transaction authorizations for signatures and maintaining the check register that includes check and electronic transactions;
- (5) signing checks from the gambling account;
- (6) maintaining perpetual inventory records, and comparing the physical inventory to the perpetual inventory;
- (7) conducting and verifying the physical inventory;
- (8) maintaining merchandise inventory;
- (9) preparing bank deposits;
- (10) depositing receipts into the gambling account;
- (11) reconciling bank statements to the checks, electronic transactions, and deposits listed in the check register, and reconciling bank deposits to games and bank records;
- (12) auditing closed games;
- (13) verifying and resolving profit carryover variances;
- (14) preparing reports required to be submitted to the board and the commissioner of revenue;
- (15) monitoring the organization's compliance with the lawful purpose rating under Minnesota Statutes, section 349.15, subdivision 1;
- (16) investigating and resolving fund losses of missing inventory, tickets, or receipts; and
- (17) investigating and resolving cash shortages.

E. The board must require that the organization revise its internal accounting and administrative control systems if they do not meet the requirements in this subpart. Failure to respond to the board's notice that the organization must revise its internal accounting and administrative control systems must result in the board taking disciplinary action.

Subp. 2. **Method of accounting.** An organization must use the cash basis method to report gross receipts and allowable expenses on the tax return except as provided in this subpart.

~~A. The organization must use the accrual basis method to report the cost of pull-tabs, paddletickets, tipboards, bingo paper, raffle tickets, and certificates of participation.~~

B. The organization must use the accrual basis method to report the tax required by Minnesota Statutes, section 297E.02, and the monthly regulatory fee required by Minnesota Statutes, section 349.16, subdivision 6a.

Subp. 3. **Gambling bank accounts; expenditures of gambling funds; emergency expenditures.** Each organization must maintain a separate gambling bank account at banks, savings and loans institutions, or credit unions located within Minnesota and comply with the following.

A. The organization must maintain a gambling checking account that complies with the requirements of Minnesota Statutes, section 297E.06, subdivision 2, as prescribed by the commissioner of revenue.

B. For all expenditures from the gambling checking account, two signatures of active organization members are required on all checks and for the authorization for electronic transactions. The treasurer of the organization may not sign the checks or the authorization for electronic transactions from the gambling bank account.

C. The organization must make all expenditures or contributions of gambling funds from the gambling checking accounts. This item does not pertain to emergency expenditures which may be made from a source other than the organization's gambling account if the organization's membership has approved the expenditure. "Emergency expenditure" means a financial obligation due and payable which, if not met, would require the organization to immediately stop gambling.

Subp. 4. **Deposits and transfers of gambling receipts.** The following items pertain to the deposit and transfer of gambling receipts.

A. Each organization must deposit into the organization's gambling bank account all income derived from or related to lawful gambling, including:

- (1) all gambling receipts;
- (2) interest income;
- (3) any rebate or credit refund for an expenditure originally paid with gambling funds; and
- (4) advertising income, including any income from sponsors of the organization's gambling activities.

B. An organization may transfer gambling funds to a nonchecking gambling bank account.

C. For deposits of gambling receipts, the organization must record on the deposit slip the date of deposit, premises permit number, and the following:

- (1) for each paper pull-tab and tipboard game, the game serial number and amount of actual cash deposited for each game;

(X) for electronic pull-tab games in play, the daily net receipts from all games;

(X) for linked bingo games in play, the daily net receipts from all games;

(2) for bingo occasions, the date of each occasion and amount of actual cash deposited from each occasion;

(3) for raffles, the date of the raffle and actual amount of deposit from the sale of raffle tickets or certificates of participation; and

(4) for paddlewheel activity, the actual amount of cash deposited from each day's paddlewheel activity and series number of all paddletickets sold during that day's paddlewheel activity.

D. Funds from a nongambling source must not be deposited in the gambling bank account except as required by subpart 5 and subpart 16, item B.

E. Gambling funds must not be transferred to the organization's general bank accounts for any expenditures or contributions without prior board approval. This item does not pertain to transfers allowed under subpart 15, item B.

Subp. 5. **Reimbursements to gambling bank account.** An organization may not deposit funds from a nongambling source into the gambling bank account unless the organization is required by the board or as otherwise required by statute or rule to reimburse its gambling account for the following reasons, including but not limited to:

A. unlawful expenditure or expense;

B. cash shortage;

C. fund loss;

D. gambling receipts that the organization failed to deposit into the account;

E. bring the organization into compliance with Minnesota Statutes, chapter 297E, as required by the commissioner of revenue; or

F. bring the organization into compliance as required by the terms of a license termination plan approved by the board.

Subp. 6. **Report to membership and approval of expenditures by membership required.**

A. Before gambling funds are spent, the organization must obtain the approval of its members at a regular organization meeting and record the approval in the meeting minutes.

B. The gambling manager or designee must present a monthly report to the organization's members. The organization must include the report with the meeting minutes. The report must contain the following information:

(1) gross receipts from each form of lawful gambling conducted;

(2) for each form of lawful gambling conducted, the dollar amount of all prizes paid out and total value of all merchandise prizes awarded;

(3) details on all allowable expenses;

(4) records that show how the net receipts from gambling activity were spent for lawful purpose;

(5) records of gambling equipment purchases, including:

(a) type, quantity, date purchased, and unit cost of equipment purchased; and

(b) the licensed distributor from whom the equipment was purchased;

(6) a month-end physical inventory of all games in play and unplayed games, including:

(a) manufacturer's identification, part number, and serial number;

(b) game name;

(c) cost of each game; and

(d) date and signature, in ink, of the person completing the inventory;

(7) bank reconciliation that balances with the organization's profit carryover for each month, and lists:

(a) outstanding checks, including check number, payee, and amount;

(b) outstanding electronic transactions;

(c) deposits in transit;

(d) beginning and ending bank balances for each month;

(8) any correspondence received or sent about the organization's lawful gambling operations; and

(9) any fund loss discovered during the month.

C. On an annual basis the organization must report to its membership the financial summary report required by Minnesota Statutes, section 349.19, subdivision 5, in a format prescribed by the board.

Subp. 7. Report of lawful purpose expenditures to board required.

A. An organization must file with the board a report of lawful purpose expenditures and board-approved expenditures, as required by Minnesota Statutes, section 349.19, subdivision 3, in a format prescribed by the board.

~~B. When expenditures are made, the organization must report the expenditure to the board~~ by the 20th day of the next month.¹⁶

~~C.~~**B.** The organization's gambling manager and chief executive officer must sign the report. The organization may appoint a designee to sign the report for either the gambling manager or the chief executive officer, but not more than one designee signature is allowed on the report for any month.

Subp. 8. **Monthly report to revenue required.** The organization must file the following information each month with the Department of Revenue in a format prescribed by the commissioner of revenue:

A. lawful gambling monthly activity summary and tax return;

B. summary of receipts and expenses for each permitted premises;

C. summary of played pull-tab games, tipboard games, or paddleticket groupings and receipts per game; and

D. gambling fund reconciliation.

Subp. 9. **Fund loss report or request for a profit carryover adjustment due to fund loss.** When an organization has a fund loss by questionable means of its inventory or cash, including prizes paid from a game not conducted in compliance with statute and rule, the organization must use the following procedures.

A. The organization must file a report with local law enforcement authorities within:

¹⁶ New electronic filing process requires that organizations file a Schedule C, Lawful Purpose Expenditures, form each month regardless of whether any lawful purpose expenditures were made. Organizations are instructed to write "no expenditures" on the form for these months.

- (1) five days of discovering the loss; or
- (2) 24 hours of discovering a loss from a pull-tab dispensing device.

B. The organization must submit one of the following to the board within 60 days of discovering the loss:

- (1) documentation that its gambling account was reimbursed for the amount of the fund loss from a source of nongambling funds and the date the loss was reported to the organization's membership; or
- (2) a request for a profit carryover adjustment due to a fund loss. If the organization does not submit the request within 60 days of discovering the loss, the board will not consider the request.

C. An organization that submits a request to the board for a profit carryover adjustment due to a fund loss must use a form prescribed by the board. The request must contain, at a minimum:

- (1) organization's name, address, license number, premises permit number, and effective date of the premises permit where the loss occurred;
- (2) monetary value of the loss or total amount of prizes paid from a game not conducted in compliance with statute and rule;
- (3) how and when the loss occurred;
- (4) how the assets were secured when the loss occurred;
- (5) whether the current status of the law enforcement investigation is active, inactive, or closed;
- (6) whether any portion of the loss has been or will be paid by insurance or restitution and, if so, the anticipated amount to be paid and dates of payment;
- (7) internal controls in place when the loss occurred and any changes made to the internal controls and personnel to prevent future losses;
- (8) date the loss was reported to the membership;
- (9) signatures of the chief executive officer and gambling manager; and
- (10) before the request will be considered by the board, the organization must provide the board with copies of:
 - (a) the local law enforcement report or a letter showing that the organization has requested a copy of the report;
 - (b) a copy of the Schedule B2, if any, and Schedule F showing how the loss was reported to the Department of Revenue; and
 - (c) minutes from the meeting at which the fund loss was reported to the membership.

D. The board must consider the following items when approving or denying a request for a profit carryover adjustment due to a fund loss:

- (1) security procedures and internal controls in effect when the loss occurred;
- (2) how assets were secured when the loss occurred;

(3) whether established internal controls were followed by the organization's employees;

(4) timely filing of the local law enforcement report;

(5) whether the information in the request was complete;

(6) when the loss occurred, whether an organization employee was in control of the cash, inventory, or prizes paid from a game not conducted in compliance with statute and rule;

(7) whether the cash, inventory, or prizes paid from a game not conducted in compliance with statute and rule were accessible to nonorganization employees; and

(8) if the loss occurred after business hours, how the organization protected and controlled the cash or inventory.

E. If the board denies a request for a profit carryover adjustment due to a fund loss, the organization must reimburse its gambling account for the amount of the fund loss. The organization must submit proof of reimbursement to the board within 90 days of the board's final determination.

F. The board must reconsider a request for a profit carryover adjustment due to a fund loss when an organization presents new information that the organization could not have discovered before the board's initial consideration of the request.

Subp. 10. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 11. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 12. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 13. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 14. **Standards for 501(c)(3) organizations and 501(c)(4) festival organizations.**

A. To be eligible to make lawful purpose contributions to itself under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (1), a licensed 501(c)(3) organization or 501(c)(4) festival organization must comply with the following:

(1) the organization's total general fund expenditures for fund-raising, management, and general costs for its most recent two fiscal years must be 30 percent or less. "Fund-raising costs" has the meaning given in part 7861.0210, subpart 24. "Management and general costs" has the meaning given in part 7861.0210, subpart 34; **and**

(2) ~~on an annual date determined by the board, upon request~~, the organization must submit to the board a copy of the organization's annual report on income and expenses that was provided to the Internal Revenue Service, or in a format prescribed by the board. ~~; and~~

~~(3) the board must determine if the organization meets the standards under subitem (1).~~

B. If ~~an organization did not report the percentage or~~¹⁷ the board determines that the organization does not meet the standards under item A, then any expenditure made by the organization under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (1), must be:

¹⁷ This change allows the board to periodically review whether an organization's fund-raising, management, and general costs are 30% or less rather than requiring an annual review.

(1) related to its program services which do not include fund-raising, management, and general costs; and

(2) paid directly from the gambling checking account.

C. Nothing in this subpart prohibits an organization from making other lawful purpose expenditures as allowed under Minnesota Statutes, section 349.12, subdivision 25.

Subp. 15. **Lawful purpose expenditures allowed.** In addition to lawful purpose as defined in Minnesota Statutes, section 349.12, subdivision 25, an organization may make a lawful purpose expenditure for the following.

A. A contribution may be made to a 501(c)(3) organization or 501(c)(4) festival organization if the organization does not:

(1) exist primarily for the purpose of receiving and distributing gambling profits;

(2) have more than 49 percent of its membership in common with the contributing organization; and

(3) have an officer, director, or other person in a managerial position who is also an officer, director, or management person in the contributing organization.

B. A contribution may be made by a 501(c)(3) organization or 501(c)(4) festival organization to itself for its primary purpose if the board has determined that the organization has complied with subpart 14, item A.

C. A contribution may be made to a person or family suffering from poverty, homelessness, or disability if the contribution is reasonably calculated to relieve the effects of that poverty, homelessness, or disability. A contribution may be made to a nonprofit corporation that exists exclusively for these relief purposes if the entire contribution is used to relieve one or more of these effects. Disability includes, but is not limited to, physical or mental difficulties in doing daily tasks and activities such as personal care, meal preparation, cleaning, transportation, or athletic activities.

D. A contribution or expenditure may be made to or on behalf of a public or private nonprofit educational institution registered with or accredited in Minnesota or any other state. If a contribution or expenditure is made to or on behalf of a public educational institution the organization must document the contribution or expenditure on a form prescribed by the board showing the request from or acknowledgment of the institution. The organization must keep the completed form in its records.

E. A contribution may be made for scholarships according to Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (5), if:

(1) the selection process does not discriminate based on race, gender, religion, national origin, marital status, disability, or age;

(2) the scholarship is not limited to organization members or their immediate families;

(3) the criteria for the selection process is communicated to all participants and to all organization members; and

(4) the names of the persons awarded scholarships are public and communicated to all organization members.

F. A contribution or an expenditure may be made for the cost of activities recognizing military service to the United States, the state of Minnesota, or a community if the following criteria is met.

(1) Any member of the organization making the contribution or expenditure may not receive any money, money equivalent, goods, or services with a market value greater than \$10. In any 12-month period, the total amount of contributions and expenditures for a person must not exceed \$100. These limits do not apply to contributions or expenditures made for members who are active military personnel and their immediate family members in need of support services or to expenditures made for membership events allowed under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (17). For purposes of this subitem, "immediate family members" means persons living in the same residence as the active military personnel.

(2) If a contribution is made to or on behalf of a unit of government the organization must document the contribution or expenditure on a form prescribed by the board showing the request from or acknowledgment of the unit of government. The organization must keep the completed form in its records.

G. A contribution may be made for recreational, community, and athletic facilities and activities intended primarily for persons under age 21 if the facilities and activities are available to both boys and girls and the opportunity to participate shows their interest in the activity. "Primarily" is demonstrated by written documentation showing that programs for persons under age 21 are given priority scheduling consideration. Equal opportunity must be given for:

- (1) provision of equipment and supplies;
- (2) scheduling of activities, including games and practice times;
- (3) supply and assignment of coaches or other adult supervisors; and
- (4) provision and availability of support facilities.

H. A contribution may be made to or on behalf of any unit of government as authorized by Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (10). The organization must document the contribution or expenditure on a form prescribed by the board showing the request from or acknowledgment of the unit of government and keep the completed form in its records.

I. A contribution for activities recognizing humanitarian service includes expenditures for transportation, food, and beverages given to persons making blood donations.

J. Expenditures may be made for grooming and maintaining snowmobile and all-terrain vehicle trails that are open to public use or are designated as grant-in-aid trails by the commissioner of natural resources under Minnesota Statutes, sections 84.83 and 84.927. Expenditures may be made for supplies and materials for safety training and educational programs coordinated by the Department of Natural Resources. This item includes the repair of equipment used exclusively for the grooming and maintenance of public use snowmobile or all-terrain vehicle trails that are not in the Department of Natural Resources grant-in-aid program or other reimbursement program. Lawful purpose expenditures made under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clauses (13), (23), and (24), are not eligible for reimbursement under the grant-in-aid program. Before an expenditure is made, the organization must obtain approval of the project or activity from the commissioner of natural resources or its agents. The organization must document the approval on a form prescribed by the board and keep the completed form in its records.

K. Expenditures may be made for citizen monitoring of surface water quality as allowed under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (12). Before an expenditure is made, the organization must obtain approval of the project from the Minnesota Pollution Control Agency. The organization must document the approval on a form prescribed by the board and keep the completed form in its records.

Subp. 16. **Lawful purpose expenditures requiring board approval.** This subpart governs lawful purpose expenditures that require board approval before an expenditure may be made as allowed under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a). The organization must submit a request for board consideration in a format prescribed by the board.

A. For a replacement building as allowed under Minnesota Statutes, section 349.12, subdivision 25, paragraph (a), clause (25), the replacement structure must be used for the same or similar purposes as the building being replaced and must have essentially the same square footage as the building being replaced. Additional costs for landscaping, building code, or parking lot requirements required by the local unit of government after the original building was built may be included.

B. An organization that received board approval to make an expenditure for a mortgage payment or other debt service must obtain prior board approval for any increase in the expenditure, including refinancing or other debt restructuring that increases the debt balance. Closing costs are not included. Any equity withdrawn from real property or a capital asset as part of the refinancing or other debt restructuring is considered gambling gross profits and must be deposited in the organization's gambling bank account.

C. With prior approval of the board, a contribution may be made to a parent organization at the Minnesota state level if the parent organization has submitted to the board a list of the charitable contributions, as defined under Minnesota Statutes, section 349.12, subdivision 7a, for which the parent organization will use the contributions.

Subp. 17. **Lawful purpose expenditures not allowed.** In addition to Minnesota Statutes, section 349.12, subdivision 25, paragraph (c), lawful purpose does not include any of the following:

A. interest on taxes, tax penalties, or interest on tax penalties;

B. any expenditure, contribution, or other distribution of gambling gross profits for which the organization keeps any control over the funds, except as allowed in subpart 15, item B;

C. any contribution or expenditure that results in any monetary, economic, financial, or material benefit to the organization making the contribution or expenditure;

D. any contribution or expenditure that is not allowed under the conflict of interest provisions of the Minnesota Nonprofit Corporation Act, Minnesota Statutes, section 317A.255;

E. the purchase of any intoxicating liquor, wine, or malt beverages; and

F. fund-raising costs, except as allowed by subpart 15, item B.

Subp. 18. **Records and reports maintained.** An organization must maintain documentation showing that expenditures of gambling gross profits are either an allowable expense or a lawful purpose. Each organization must maintain complete, accurate, and legible records with documentation to support all gambling transactions. The organization must record all inventory records, including perpetual, physical, site, and merchandise prize records, in a format prescribed or approved by the board. All records must show the gross receipts, prizes, net receipts, expenses, and all other accounting transactions. The organization must keep all records and reports for 3-1/2 years.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 35 SR 1528*

Posted: *April 7, 2011*

7861.0330 EXCLUDED BINGO.

Subpart 1. **Registration required.** An organization conducting bingo as allowed by Minnesota Statutes, section 349.166, subdivision 1, paragraph (a), clause (1) or (2), must register with the board and obtain prior

approval of the local governing body of the city or county in which the bingo will be conducted. The registration must be on a form prescribed by the board and include:

- A. organization's name, address, and county;
- B. name and telephone number of the person in charge of the bingo occasion;
- C. type of organization which is fraternal, veterans, religious, or other nonprofit and a copy of the proof of nonprofit status;
- D. dates on which bingo has been conducted in the present calendar year;
- E. date that the organization proposes to conduct bingo;
- F. name and address, including city or township, and county of the premises where the gambling will be conducted;
- G. telephone number and signature of the chief executive officer;
- H. local unit of government approval; and
- I. Minnesota tax identification number and federal employer identification number, if any.

Subp. 2. **Denial of excluded bingo application.** The board must deny an excluded bingo application when the premises permit for the site of the proposed excluded bingo is subject to suspension or revocation under part 7865.0220, subpart 3.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: *April 7, 2011*

7861.0340 EXEMPTED LAWFUL GAMBLING.

Subpart 1. **Registration required.** An organization that conducts exempted lawful gambling as allowed by Minnesota Statutes, section 349.166, subdivision 2, must submit an application to the board as required by Minnesota Statutes, section 349.166, subdivision 2, paragraph (a), clause (3). The application must be on a form prescribed by the board and include:

- A. the organization's name, address, and county;
- B. a current or previous license number or exempt number, if any;
- C. the name and telephone number of the chief executive officer;
- D. the type of organization which is fraternal, veterans, religious, or other nonprofit and a copy of the proof of nonprofit status;
- E. the dates of activity;
- F. the types of lawful gambling to be conducted;
- G. the name and address, including city or township, and county of the premises where the activity will be conducted;

H. local unit of government approval;

I. an acknowledgment that within 30 days of its lawful gambling activity the organization will complete and file with the board an accurate and complete financial report in a format prescribed by the board;

J. the fee required by Minnesota Statutes, section 349.166, subdivision 2, paragraph (a), clause (3). The application fee is considered earned and is not refundable; and

K. Minnesota tax identification number and federal employer identification number, if any.

Subp. 2. **Denial of exempt permit application.** The board must deny an exempt permit application if:

A. the organization is currently licensed; or

B. the premises permit for the site is subject to suspension or revocation under part 7865.0220, subpart 3.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: *April 7, 2011*

7863.0210 DISTRIBUTORS; DISTRIBUTOR SALESPERSONS LICENSES.

Subpart 1. **Distributor or distributor salesperson license required.** A person may not sell, offer for sale, or furnish gambling equipment for use in Minnesota to any organization that conducts lawful gambling unless the person has obtained a distributor's or distributor salesperson's license or license renewal issued by the board.

Subp. 2. **Distributor or distributor salesperson licensing qualifications.** A distributor or distributor salesperson is not eligible for a license unless they have met the requirements of Minnesota Statutes, sections 349.155, subdivision 3, and 349.161, subdivision 5. For purposes of compliance with Minnesota Statutes, section 349.155, subdivision 3, the following definitions apply.

A. "Director" means a member of the distributor's board of directors.

B. "Officer" means any person elected, appointed, or designated as an officer by the distributor's board of directors.

C. "Other person in a supervisory or management position" means any person employed to direct or control the personnel and activities of a distributor's department or division.

Subp. 3. **Distributor restrictions.** In addition to the prohibitions in Minnesota Statutes, section 349.161, subdivisions 1 and 5, the following restrictions apply when conducting business with organizations authorized to conduct lawful gambling in Minnesota. A distributor, distributor salesperson, or any representative, agent, affiliate, or employee of a distributor may not:

A. contribute more than \$250 in any calendar year to an organization or participate in a fund-raising event if the contribution or fund-raising event is related to the organization's conduct of lawful gambling;

B. lease premises to an organization for the conduct of lawful gambling;

C. be an officer, director, paid employee, gambling volunteer, or gambling manager of an organization involved in the conduct of lawful gambling;

D. participate directly in the determination and purchase of gambling equipment for an organization;

E. provide or permit an affiliate or person acting on behalf of the distributor to provide any compensation, gift, gratuity, premium, contribution, or thing of value to a board employee or board member;

F. enter into any agreement with any other distributor that restricts either of them in the sale of gambling equipment; or

G. enter into any agreement with any other distributor to establish the price at which any gambling equipment may be sold.

Subp. 4. **Contents of distributor license application.** The distributor license application must contain the following information:

A. distributor's legal name, any other names used, the legal nature of the business (corporation, partnership, limited liability company, or sole proprietorship), Minnesota tax identification number, and federal employer identification number;

B. principal business address and telephone number;

C. mailing address, if different than the business address;

D. names and titles of the owners, partners, officers, directors, managers, supervisors, sales employees, and persons or entities with a direct or indirect financial interest of five percent or more in the distributorship;

E. address and telephone number of all facilities where gambling equipment and supplies are unloaded in Minnesota prior to sale;

F. acknowledgment regarding the licensing qualifications and restrictions contained in subparts 2 and 3;

G. names, addresses, and account numbers of all business bank accounts;

H. an acknowledgment that if the license is terminated or suspended the distributor will file the certified physical inventory required in subpart 10 or 11;

I. date and signature, in ink, of the chief executive officer; and

J. additional information that may be required by the board to properly identify the distributor and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

Subp. 5. **Attachments to distributor license application.** The distributor must attach a distributor personnel form to the application for persons identified in item A.

A. A distributor personnel form must be completed by each:

(1) owner;

(2) partner;

(3) member of the board of directors or board of governors;

(4) officer, including but not limited to president, vice-president, secretary, treasurer, controller, or general counsel;

(5) manager or supervisor of shipping, sales, personnel, governmental relations, and security;

(6) person or entity with a direct or indirect financial interest of five percent or more in the distributorship;

(7) consultant who provides advice for the sale or design of equipment for sale in Minnesota; and

(8) nonsales employee.

B. For persons identified in item A, subitems (1) to (7), the distributor personnel form must include:

(1) distributor's name and license number, if issued;

(2) name, home address, date of birth, Social Security number, and daytime telephone number of the person;

(3) person's position with the distributor;

(4) employment history and places of residence for the past ten years;

(5) criminal history statement, not including petty misdemeanors;

(6) name, address, license number, exempt permit number, or exclusion authorization of any organization conducting lawful gambling in Minnesota of which the person is a member;

(7) Minnesota tax identification number of businesses that the person has owned for the past ten years;

(8) for a person who will conduct sales:

(a) the person must submit a recent photograph measuring one inch by 1-1/4 inches; and

(b) acknowledge the licensing qualifications in subpart 2 and restrictions in subpart 3;

(9) date and signature, in ink, of the person; and

(10) additional information that may be required by the board to properly identify the person and ensure compliance with Minnesota Statutes, sections [349.11](#) to [349.23](#).

C. For nonsales employees as identified in item A, subitem (8), the distributor personnel form must include:

- (1) distributor's name and license number, if issued;
- (2) name, home address, date of birth, and daytime telephone number of the person;
- (3) person's position with the distributor;
- (4) name, address, license number, exempt permit number, or exclusion authorization of any organization conducting lawful gambling in Minnesota of which the person is a member;
- (5) an acknowledgment regarding the restrictions in subpart 3;
- (6) date and signature, in ink, of the person; and
- (7) additional information that may be required by the board to properly identify the person and ensure compliance with Minnesota Statutes, sections [349.11](#) to [349.23](#).

Subp. 6. **Contents of distributor salesperson license application.** For a person who will be employed by a distributor to conduct sales, as identified in subpart 5, item A, subitems (3) to (6), a distributor salesperson license application must contain the following:

- A. information required in subpart 5, item B;
- B. recent photograph of the person measuring one inch by 1-1/4 inches; and
- C. acknowledgment regarding the licensing qualifications in subpart 2 and restrictions in subpart 3.

A person who is an independent contractor is not eligible for a license. A distributor salesperson license is not required for the owner or partner of a distributorship licensed by the board.

Subp. 7. **Changes in distributor or distributor salesperson license application information.** If any information submitted in the application changes during the license term, the distributor or distributor salesperson must notify the board within ten days of the change.

Subp. 8. **Issuing or denying a new or renewal distributor or distributor salesperson license.** This subpart governs a new or renewal distributor or distributor salesperson license issued or denied by the board.

A. Before issuing a new or renewal distributor license, the board must conduct or request the director of alcohol and gambling enforcement to conduct a background investigation, which may include a review of the distributor's sources of financing, ownership, and organizational structure. Actual costs in addition to the new or renewal application fee must be paid by the distributor.

B. The board must issue a license to a distributor or distributor salesperson who:

(1) submits the information required in the application and attachments and for a renewal application submits a complete application at least 75 days before the expiration of the existing license;

(2) pays the fee required by Minnesota Statutes, section 349.161, subdivision 4; and

(3) is eligible to receive a license under item A and subparts 2 and 3.

C. The board must deny a new or renewal application if a distributor or distributor salesperson:

(1) is ineligible under item A and subparts 2 and 3; and

(2) has failed to submit all information required by subparts 5 and 6.

When the board determines that an application must be denied, the board must promptly give a written notice to the distributor or distributor salesperson. The notice must contain the grounds for the action and reasonable notice of the rights of the distributor or distributor salesperson to request an appeal under part 7865.0260, subpart 2 or 4, whichever is applicable.

D. All fees submitted with a new or renewal license application are considered earned and are not refundable.

Subp. 9. **Distributor license effective date.** A distributor license issued by the board is effective on the first day of the month after board approval or as otherwise determined by the board.

Subp. 10. **Distributor license termination.** Before terminating its license, the distributor must submit to the board and commissioner of revenue a certified physical inventory in a format prescribed by the board. Termination of a license may occur due to revocation or denial of the license by the board, or the distributor voluntarily quitting its business. The certified physical inventory must include the following information:

A. an inventory of all gambling equipment when the form is prepared, including name, form number, bar code information, and quantity of all gambling equipment in the distributor's inventory; and

B. plans for disposal of all gambling equipment by the date of termination. After the date on which a license is terminated, it is illegal for a distributor to have gambling equipment in its possession.

The distributor or designated agent must keep all invoices and other required documentation related to the sale of gambling equipment for 3-1/2 years after the license has been terminated.

Subp. 11. **License suspension.** When a distributor's license is suspended under part 7865.0220, the licensee must provide to the commissioner of revenue a certified physical inventory of gambling equipment in inventory on the day the suspension begins. The certified physical inventory must include the name, form number, bar code information, and quantity of all gambling equipment in the distributor's inventory on the day the suspension begins.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: *April 7, 2011*

7863.0220 DISTRIBUTOR OPERATIONS, ACCOUNTS, REPORTS, AND RECORDS.

Subpart 1. **Purchase or lease of gambling equipment.** When purchasing, leasing, or obtaining gambling equipment, the distributor must comply with Minnesota Statutes, sections **349.161** and **349.162**.

A. A distributor may only purchase, lease, or obtain gambling equipment that has been approved by the board and meets the requirements in part **7864.0230**.

B. Within ten days of being notified by the board that a manufacturer has terminated its license, the license has expired, or the license was revoked by the board, a licensed distributor must submit a certified physical inventory to the board. The certified inventory must include the name, form number, and quantity of all gambling equipment in inventory or gambling equipment owned or leased that was manufactured by that manufacturer.

Subp. 2. **Sale or lease of gambling equipment.** This subpart applies to the sale or lease of gambling equipment.

A. A distributor may not sell, lease, or furnish gambling equipment to an organization unless the organization has a license, exempt permit, or exclusion authorization issued by the board, or meets the requirements of Minnesota Statutes, section **349.166**, subdivision 1, paragraph (b).

B. A distributor may not sell, lease, or furnish gambling equipment to an organization before the effective date of the organization's license. This item does not pertain to exempt or excluded organizations if the distributor has a copy of the organization's exempt permit or exclusion authorization.

C. Gambling equipment sold or leased for use in Minnesota must be delivered only to the licensed, exempt, or excluded organization that ordered the equipment.

D. A distributor may not provide any merchandise prize, as part of the sale of any game or as a gift or sale, to a licensed, exempt, or excluded organization or its employees.

E. A distributor must include a packing list that lists all items for each shipment of gambling equipment to an organization.

F. A distributor must not sell or provide a partial series of bingo paper sheets or bingo paper sheet packets to a licensed organization. A distributor may sell a partial series to an exempt or excluded organization.

G. A distributor must ~~use a form prescribed by the board to~~ document the terms of a lease or sale of a ~~pull-tab dispensing device~~ **permanent gambling equipment** and comply with the following.

(1) A distributor must not enter into a lease agreement for a ~~pull-tab dispensing device~~ **permanent gambling equipment** with an organization unless the distributor owns or has a lease agreement with a licensed manufacturer for that ~~pull-tab dispensing device~~ **equipment**.

(2) If an organization's license or authorization is suspended, revoked, lapsed, or terminated, the lease agreement must be canceled.

(3) A distributor must not provide any additional keys for a pull-tab dispensing device after the pull-tab dispensing device has been leased or sold.

H. Gambling equipment designated for sale to an Indian tribe must be stored in a separate area of the distributor's warehouse and cannot contain the Minnesota geographic symbol required by Minnesota Statutes, section 349.163, subdivision 5, paragraph (d).

I. The following apply to the lease of electronic bingo devices used for non-linked bingo games.

(1) A distributor may only lease electronic bingo devices to a licensed organization and is prohibited from selling electronic bingo devices to a licensed organization.

(2) The distributor may lease electronic bingo devices to more than one licensed organization at the same permitted premises.

(3) The lease agreement must contain the organization's license number, name and address of the permitted premises where the electronic bingo devices will be used, and terms of the lease agreement, including a prohibition that the electronic bingo devices must not be transferred to another permitted premises unless approved in writing by the board.

(4) The lease price of an electronic bingo device:

(a) must be based on a predetermined monthly amount or based on the per unit lease amount for the previous calendar week; and

(b) must not be based on a percentage of gross receipts.

(5) The distributor must submit a copy of the lease agreement to the board within ten days of signing or amending a lease agreement.

J. The following pertain to gambling equipment that is sold or leased on an exclusive basis.

(1) Gambling equipment with a proprietary name of an organization that owns its permitted premises may be sold or leased on an exclusive basis to that organization.

(2) Gambling equipment with a proprietary name for a leased site may not be sold or leased on an exclusive basis to an organization.

(3) A distributor may not pay a royalty to another licensed distributor for the design and manufacture of gambling equipment that is sold or leased on an exclusive basis.

Subp. 3. **Registration of permanent gambling equipment.** A distributor must not sell, lease, transfer, furnish, or provide any permanent gambling equipment to an organization unless the equipment has been registered in the following manner.

A. A distributor must place a state registration stamp, obtained from the board, on permanent equipment sold or leased to an organization. The distributor must place the stamp on the front of each paddlewheel, paddlewheel table, and pull-tab dispensing device, and on each bingo number selection device. This item does not pertain ~~to an electronic bingo device or~~ a programmable electronic device as defined under Minnesota Statutes, section 349.12, subdivision 18 **(b) 2,3,4**.

B. The distributor must keep a record of ~~electronic bingo devices~~ **permanent gambling equipment** leased to a licensed organization. The record must include the organization's name, address, and license number, and the date the equipment was leased to the organization, and if returned, the date the equipment was returned by the organization to the distributor.

C. To register permanent gambling equipment with the board, the distributor must submit a report to the board, on a form prescribed by the board, that includes the information required by items A and B.

D. A distributor must not transfer or give state registration stamps to any person, distributor, linked bingo game provider, or manufacturer.

(The following section is expected to be amended after additional input is received from Revenue and distributors...)

Subp. 4. **Return of defective pull-tab and tipboard game; issuing credit invoices.** This subpart pertains to the return of a pull-tab or tipboard game that was not manufactured in compliance with the standards in part 7864.0230 and was returned to the distributor according to part 7861.0260, subpart 7.

A. For a game that is returned from an organization before being put into play, the following apply.

(1) Within five business days of accepting the return of a game, the distributor must return the game to the manufacturer with documentation that the game does not meet the standards in part 7864.0230.

(2) Within five business days of receiving credit from the manufacturer, the distributor must issue a credit invoice to the organization unless the distributor notifies the commissioner of revenue in writing that there is a business dispute regarding the returned game. A copy of the credit invoice must be filed electronically, as required by the commissioner of revenue.

(3) If the distributor ships a replacement game to the organization, the distributor must prepare a sales invoice as required in subpart 6.

B. For a game returned to a distributor from an organization during play or after being removed from play, the following apply.

(1) Within five business days of accepting the return of a game, the distributor must return the game to the manufacturer for a determination as to whether the game was manufactured in compliance with the standards in part 7864.0230. After a determination has been made and the game returned to the distributor, the distributor must return the game to the organization to keep as a played game.

(2) Within five business days of receiving a credit invoice and written determination from the manufacturer, the distributor must issue a credit invoice to the organization for the cost of the game and any valid and documented losses incurred over which the organization had no control or ability to prevent. A copy of the credit invoice must be filed electronically, as required by the commissioner of revenue.

Subp. 5. **Recall of gambling equipment; issuing credit invoices.** A distributor must participate in a gambling equipment recall mandated by the board or initiated by the manufacturer.

A. Within three business days of receiving notification from the manufacturer or the board director, the distributor must initiate the recall from organizations to which it sold the gambling equipment.

B. The distributor must complete the recall within 15 business days of initiation and notify the board and the commissioner of revenue in writing that it has completed the recall. The recall does not

pertain to games already in play which must be kept by the organization as played games. The notification must include the following:

- (1) an inventory of the recalled gambling equipment;
- (2) bar code information, as required by the commissioner of revenue; and
- (3) a list of all organizations, including license or exempt numbers, from which the gambling equipment was recalled.

C. Within seven business days of receiving a credit invoice from the manufacturer, the distributor must issue credit invoices to all organizations returning gambling equipment under the recall. Credit invoices must include the cost of freight paid by the organization and any valid and documented losses incurred over which the organization had no control or ability to prevent. Copies of the credit invoices must be filed electronically as required by the commissioner of revenue.

Subp. 6. **Sales invoices.** A distributor who sells, leases, or provides gambling equipment must record the transaction on a sales invoice which must contain the following information as required by the commissioner of revenue:

A. distributor's name, address, telephone number, ~~Minnesota tax identification number, federal employer identification number~~, and license number;

B. organization's name, address, license number or excluded or exempt authorization, and premises permit number of the site where the gambling equipment was delivered, and for a licensed organization ~~its Minnesota tax identification number and federal employer identification number~~, or the name and address of an entity as allowed under Minnesota Statutes, section 349.166, subdivision 1, paragraph (b);

C. invoice number;

D. name of the person who ordered the gambling equipment, and name of the distributor's licensed salesperson who sold the gambling equipment;

E. date of shipment and shipping charges, if any;

F. any applicable sales tax;

G. unit price or lease cost of each item and total amount being invoiced; and

H. any value for discount, rebate, or other incentive affecting the unit price which must be separately stated.

Invoices must also contain information required for the type of gambling equipment sold, as required by subparts 7 to 12.

Subp. 7. **Sales invoice for pull-tabs and tipboards.** In addition to the requirements of subpart 6, invoices for pull-tabs and tipboards must contain the following information:

A. number of deals;

B. description of each deal, including the game name, manufacturer identification, part number, and serial number;

C. last sale amount, if any;

D. total ideal gross receipts; and

E. total applicable gambling tax.

Subp. 7a. **Sales invoice for promotional pull-tab and tipboard tickets.** A distributor who sells promotional pull-tab and tipboard tickets, as defined in part 7861.0210, subpart 43, and Minnesota Statutes, section 349.12, subdivisions 18 and 31, must record the transaction on a sales invoice which must contain the following information as required by the commissioner of revenue:

A. distributor's name, address, telephone number, ~~Minnesota tax identification number,~~
~~federal employer identification number~~, and license number;

B. name of the business entity to whom the tickets are sold, the business entity's ~~Minnesota tax identification number and federal employer identification number~~, and the address of the site where the tickets were delivered. If the tickets are sold to an individual, the sales invoice must contain the individual's name and address and the address of the site where the tickets were delivered;

C. invoice number;

D. name of the person who ordered the tickets, and name of the distributor's licensed salesperson who sold the tickets;

E. description of the tickets, including name, manufacturer identification, form number, part number, and serial number;

F. date of shipment and shipping charges, if any;

G. any applicable sales tax; and

H. unit price and total amount being invoiced.

Subp. 8. **Sales invoice for paddleticket cards.** In addition to the requirements of subpart 6, invoices for paddleticket cards must contain the following information:

A. number of sealed groupings;

B. ideal gross receipts for each sealed grouping; and

C. for each sealed grouping, a complete description including the game name, manufacturer identification, part number, and serial number.

Subp. 9. **Sales invoice for sealed breakopen bingo paper.** In addition to the requirements of subpart 6, invoices for sealed breakopen bingo paper sheets must contain the following information:

A. serial number and color of each set of sealed breakopen bingo paper sheets;

B. whether each set is an original or trade-in set; and

C. price for which the sealed breakopen bingo paper sheet must be sold by the organization.

Subp. 10. **Sales invoice for sets of bingo paper sheet packets.** In addition to the requirements of subpart 6, invoices for sets of bingo paper sheet packets must contain the following information:

A. color of each sheet in the packet in the order of collation;

B. number of sheets per packet (UP's);

C. number of faces per sheet (ON's);

D. series;

E. price for which the packet must be sold by the organization; and

F. serial number from each sheet in the packet if the serial numbers are not uniform throughout the packet, or the serial number from the top sheet in each packet if the serial numbers are uniform throughout the packet. The serial numbers may be recorded on a separate document if the invoice states that the document is attached.

Subp. 11. **Sales invoice for bingo paper sheets (case paper).** In addition to the requirements of subpart 6, invoices for bingo paper sheets (case paper) must contain the following:

A. color;

B. number of sheets per case;

C. number of faces per sheet (ON's);

D. series;

E. price for which the bingo paper sheets must be sold by the organization; and

F. serial number from the top sheet in the case.

Subp. 12. **Sales invoice for permanent gambling equipment.** In addition to the requirements of subpart 6, invoices for permanent gambling equipment must contain the following information:

A. a description of the equipment being sold or leased, including the manufacturer name and the make, model number, and serial number; and

B. the state registration stamp number attached to the gambling equipment, as required by subpart 3.

Subp. 13. **Monthly sales report to board required for permanent gambling equipment.** After the sale or lease of permanent gambling equipment, the distributor must provide the following information to the board by the 20th of the next month:

A. distributor's name, address, and license number;

B. manufacturer's name, address, and license number from which the distributor purchased or leased the gambling equipment;

C. organization's name, address, and license number, exempt permit number, or exclusion authorization, or the name and address of the entity as allowed by Minnesota Statutes, section 349.166, subdivision 1, paragraph (b);

D. make, model number, and serial number of the gambling equipment; and

E. state registration stamp number attached to the gambling equipment, as required by subpart 3.

Subp. 14. **Monthly sales report to revenue required.** A distributor who sells, leases, or provides gambling equipment must electronically report the transactions made each month to the commissioner of

revenue as required under Minnesota Statutes, section 297E.05. The report is due by the 20th of the next month.

Subp. 15. **Pricing report to director required.** A distributor must submit a pricing report to the director on an annual basis in a format approved by the director and must include:

- A. distributor's name, address, and license number;
- B. date the report was prepared;
- C. gambling equipment the distributor offers for sale or lease; and
- D. prices at which all gambling equipment currently offered for sale by the distributor will be sold.

Adjustments for transportation, discounts, and rebates must be reported separately on the annual pricing report, and are subject to review and approval by the director.

Changes or additions to the previously filed reports must be reported ten days before the change or addition.

Subp. 16. **Delinquent organization notice to board required.** This subpart pertains to the notice to the board that an organization is delinquent in payment of an invoice or lease agreement.

A. If a distributor has not received payment from an organization within 30 days of the day immediately following the date of the invoice or lease agreement, the distributor must report the delinquency to the board in writing in an electronic format authorized by the board. The distributor must ensure that the board will receive the notice by the 31st day, or the next business day, after the invoice date for the sale or lease of the gambling equipment. The notice must include:

- (1) the organization's name and license or exempt number; and
- (2) an invoice or lease agreement date, invoice number, and total dollar amount of the invoice or lease agreement.

B. If a distributor has not received payment in full within 60 days of its initial notice to the board, the distributor must notify the board of the continued delinquency. The distributor must ensure that the board will receive the notice on the 61st day, or the next business day, after the distributor's initial report to the board.

C. When the delinquency is paid, the distributor must notify the board immediately.

D. Upon receipt of the initial notice under item A, the board must:

- (1) notify and direct the organization to eliminate the delinquency; and
- (2) notify all distributors and linked bingo game providers that until further notice they may only sell or lease gambling equipment to the delinquent organization on a cash basis. "Cash" means a debit card payment, electronic transaction, or check drawn on the organization's gambling account.

E. Upon receipt of the second notice under item B, the board must notify:

- (1) the organization that the sale and lease of gambling equipment to the organization will not be authorized until the delinquency is eliminated; and

(2) all distributors or linked bingo game providers that they may not sell or lease any gambling equipment to the delinquent organization.

F. When the board has been notified that the delinquency is paid in full, the board must notify all distributors and linked bingo game providers that the delinquency has been paid and that the sale or lease of gambling equipment to the organization is authorized.

G. Until authorized by the board, a distributor or linked bingo game provider may not extend credit or sell or lease gambling equipment to an organization in violation of an order under items D and E.

Subp. 17. **Records and reports maintained.** A distributor must maintain reports and records of the purchase, sale, and lease of gambling equipment as required by this part and by Minnesota Statutes, section 297E.05, for 3-1/2 years. A distributor must maintain a record of the registration of permanent gambling equipment.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 35 SR 1528*

Posted: *April 7, 2011*

7863.0250 LINKED BINGO GAME PROVIDER LICENSES.

Subpart 1. **Linked bingo game provider license required.** A person may not provide linked bingo paper, linked bingo game system equipment, or services to any licensed organization unless the person has obtained a linked bingo game provider license or license renewal issued by the board.

Subp. 2. **Linked bingo game provider licensing qualifications.** A person is not eligible for a license unless the requirements of Minnesota Statutes, sections 349.155, subdivision 3, and 349.1635, have been met. For purposes of compliance with Minnesota Statutes, section 349.155, subdivision 3, the following definitions apply.

A. "Director" means a member of the linked bingo game provider's board of directors.

B. "Officer" means any person elected, appointed, or designated as an officer by the linked bingo game provider's board of directors.

C. "Other person in a supervisory or management position" means any person employed to direct or control the personnel and activities of a linked bingo game provider's department or division.

Subp. 3. **Linked bingo game provider restrictions.** In addition to the prohibitions in Minnesota Statutes, sections 349.155, subdivision 3, and 349.1635, subdivision 4, the following restrictions apply when conducting business with licensed organizations authorized to conduct lawful gambling in Minnesota. A linked bingo game provider licensee; person holding a financial or managerial interest in a linked bingo game provider; or any agent, affiliate, or employee of a linked bingo game provider may not:

A. be an officer, director, paid employee, gambling volunteer, or gambling manager of an organization involved in the conduct of lawful gambling;

B. recruit a person to become a gambling manager or an assistant gambling manager, or identify to an organization a person as a candidate to become a gambling manager or assistant gambling manager;

C. be involved in or influence the purchase of gambling equipment for an organization, except for equipment necessary to conduct linked bingo games;

D. provide or permit an affiliate or person acting on behalf of the linked bingo game provider to provide any compensation, gift, gratuity, premium, contribution, or thing of value to a board employee or board member; or

E. contribute more than \$250 in any calendar year to an organization or participate in a fund-raising event if the contribution or fund-raising event is related to the organization's conduct of lawful gambling.

Subp. 4. **Contents of linked bingo game provider license application.** The linked bingo game provider license application must contain the following:

A. the linked bingo game provider's legal name, any other names used, the legal nature of the business (corporation, partnership, limited liability company, or sole proprietorship), the Minnesota tax identification number, and the federal employer identification number;

B. business address and telephone number;

C. mailing address, if different than the business address;

D. address where the selection of bingo numbers for a linked bingo game will be conducted, if different than the business address;

E. names and titles of the owners, partners, officers, directors, managers, supervisors, sales employees, persons involved with the services provided by the linked bingo game provider, and persons or entities with a direct or indirect financial interest of five percent or more in the linked bingo game provider;

F. acknowledgment regarding the licensing qualifications in subpart 2 and restrictions in subpart 3;

G. acknowledgment that any linked bingo game agreement will identify any goods or services, including all costs, that the organization is required to buy or lease;

H. acknowledgment that the linked bingo game provider will provide all necessary game monitoring equipment and monitoring systems to the board at no cost;

I. date and signature, in ink, of the chief executive officer; and

J. additional information that may be required by the board to properly identify the linked bingo game provider and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

Subp. 5. **Attachments to linked bingo game provider license application.** The linked bingo game provider must attach the following items to the application.

A. A linked bingo game provider personnel form, in a format prescribed by the board, must be completed by each:

(1) owner;

(2) partner;

(3) member of the board of directors or board of governors;

(4) officer, including but not limited to president, vice-president, secretary, treasurer, controller, or general counsel;

(5) manager or supervisor of personnel, sales, governmental relations, and security;

(6) person or entity with a direct or indirect financial interest of five percent or more in the linked bingo game provider;

(7) sales employee who promotes, approves orders for, and asks for sales for linked bingo paper and linked bingo game services; and

(8) person involved with the services provided by the linked bingo game provider.

B. The linked bingo game provider personnel form must include:

(1) the linked bingo game provider's name and license number, if issued;

(2) the name, home address, daytime telephone number, date of birth, and Social Security number of the person;

(3) the person's position with the linked bingo game provider;

(4) an employment history and places of residence for the past ten years;

(5) a criminal history statement, not including petty misdemeanors;

(6) the name, address, and license number of any licensed organization conducting lawful gambling in Minnesota of which the person is a member;

(7) the Minnesota tax identification number of businesses that the person has owned for the past ten years;

(8) an acknowledgment regarding licensing qualifications in subpart 2 and restrictions in subpart 3;

(9) the date and signature, in ink, of the person; and

(10) additional information that may be required by the board to properly identify the person and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

C. An organization chart illustrating the management structure of the linked bingo game provider and the personnel involved in the conduct and administration of linked bingo games.

D. A detailed description of the management plan for operation of the linked bingo game system and linked bingo game, including:

(1) the technology to be used, method of selecting and transmitting selected bingo numbers, security of the transmission, and plans for continuation of the game in the event of an interruption in communications;

(2) inventory control, inventory forms, sale and distribution of linked bingo paper, and process for transferring gambling funds from licensed organizations;

(3) the linked bingo game to be conducted, rules of play, prize levels, and procedure to verify winning linked bingo paper sheets and to pay winners;

(4) marketing and promotion plan;

(5) all financial forms proposed for use;

(6) a statement describing the linked bingo game provider's financial capability to provide the equipment and infrastructure necessary to operate the linked bingo game and manage the game's prize pool **including the allocation of interest earnings from funds held in trust for progressive jackpots**; and

(7) a proposed fee schedule for the cost of providing services and equipment to licensed organizations.

E. Evidence of the bond required by Minnesota Statutes, section 349.1635, subdivision 3.

F. A certificate from a board-approved independent testing laboratory certifying that the linked bingo game system meets the requirements contained in part 7863.0260, subpart 1a.

G. Additional information that may be required by the board to ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

Subp. 6. **Changes in linked bingo game provider license application information.** If any information submitted in the application changes during the license term, the linked bingo game provider must notify the board within ten days of the change.

Subp. 7. **Issuing or denying a new or renewal linked bingo game provider license.** This subpart applies to a new or renewal linked bingo game provider license issued or denied by the board.

A. Before issuing a new or renewal linked bingo game provider license, the board must conduct or request the director of alcohol and gambling enforcement to conduct a background investigation which may include a review of the linked bingo game provider's sources of financing, ownership, and organizational structure. Actual costs in addition to the new or renewal application fee must be paid by the linked bingo game provider.

B. The board must issue a new or renewal license to a linked bingo game provider who:

(1) submits the information required in the application and attachments;

(2) pays the fee required by Minnesota Statutes, section 349.1635, subdivision 2; and

(3) is eligible to receive a license under item A and subparts 2 and 3.

C. The board must deny the application if a linked bingo game provider:

(1) is ineligible under subparts 2 and 3; and

(2) has failed to submit all information required by subparts 4 and 5.

When the board determines that an application must be denied, the board must promptly give a written notice to the linked bingo game provider. The notice must contain the grounds for the action and reasonable notice of the rights of the linked bingo game provider to request an appeal under part 7865.0260, subpart 2 or 4, whichever is applicable.

D. Fees submitted with a new or renewal license application are considered earned and are not refundable.

Subp. 8. **Linked bingo game provider license effective date.** A linked bingo game provider license issued by the board is effective on the first day of the month after board approval or as otherwise determined by the board.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: *April 7, 2011*

7863.0260 LINKED BINGO GAME PROVIDER OPERATIONS, ACCOUNTS, REPORTS, AND RECORDS.

Subpart 1. **Purchase or lease of gambling equipment and linked bingo services.** A linked bingo game provider may not purchase or obtain gambling equipment or linked bingo services from any other linked bingo game provider.

Within ten days of being notified by the board that a manufacturer has terminated its license, the license has expired, or the license was revoked by the board, a licensed linked bingo game provider must submit to the board a certified physical inventory. The certified inventory must include the name, form number, and quantity of all gambling equipment currently in inventory or owned or leased by the linked bingo game provider that was manufactured by the manufacturer.

Subp. 1a. **Linked bingo game system requirements.** The linked bingo game system must meet the following requirements:

A. be capable of recording and printing detailed sales and accounting reports, including the price per face and the number of linked bingo paper sheets or facsimiles of linked bingo sheets sold at each permitted premises;

B. have an automatic or manual backup system to save all sales, financial, and game data;

C. be capable of recording and printing all financial transaction reports, in addition to maintaining, and printing on demand by the board, a log of significant events or exceptions relating to accounting and sales;

D. have secure access, limited to authorized persons only;

E. allow for sales data corrections, if necessary, by authorized personnel through a password-controlled audit menu, and maintain and print on demand by the board, a log of all accounting changes including the name of the person who made the changes, date and time of the change, and the items adjusted;

F. have the capability of supporting remote sales units that must immediately communicate all sales directly to the main linked bingo game system computer;

G. have either a bingo ball blower system or an electronic random number generator to select bingo numbers, have the means to enter the selected numbers into the linked bingo game system for validation purposes, and have the means to correct any input errors up to the time a valid linked bingo game winner is determined;

H. contain a means by which all bingo sheet perm numbers or electronic serial and face numbers are contained within the database for winning face identification. The linked bingo game system must be able to verify winning serial and face numbers, determine if there is more than one bingo, verify that each called bingo is valid, and print a record of all selected numbers and each winning bingo face;

I. possess a database of all bingo perms used in conjunction with the linked bingo game. The linked bingo game system must not allow changes or modifications to the bingo faces. Access to the database must be controlled by password authorization or another secure method;

J. maintain an internal clock with current synchronized time for all components in 24-hour format and date. The clock must be able to provide:

- (1) time stamping of significant events, including all sales and draw events; and
- (2) reference clock for reporting;

K. be capable of producing general accounting reports, including the information prescribed by the board; and

L. be tested by a board-approved independent testing laboratory certifying that the system meets the requirements in this subpart, with all costs associated with testing paid by the linked bingo game provider.

Before being implemented, any subsequent changes in the game system must be submitted to the director for review and approval. The linked bingo game provider must modify the system as required by the director to ensure compliance with these requirements.

Subp X. Electronic linked bingo game system requirements.

- A. Secured communication. Connections between all components of the electronic linked bingo game system shall only be through the use of secure communication protocols which are designed to prevent unauthorized access or tampering, employing Data Encryption Standards (DES) or equivalent encryption protection.**
- B. Independent verification check. The electronic linked bingo game system and all devices that communicate with the electronic linked bingo game system shall have the ability to allow for an independent integrity check of the system's software from an authorized source approved by the board and is required for all control programs that may affect the integrity of the game. The integrity check will provide a means for field (on-site and offsite) verification of the software to identify and validate the program. All Minnesota Board-approved games must be identical to the games presented to the independent testing lab.**
- C. Accounting meters. Electronic accounting meters shall be at least ten (10) digits in length and shall be maintained in the denomination in dollars and cents.**
- D. Cash and inventory verification. System shall record value of bingo faces purchased/played, and prizes won.**
- E. Restricted use. Game control servers and electronic linked bingo devices shall not be capable of being used as a stand-alone unit for the purposes of engaging in any function or use not permitted by these standards at any time.**
- F. Memory backup. Game control servers shall have a nonvolatile backup memory or its equivalent, which shall be maintained in a secure compartment on each game control**

server for the purpose of storing and preserving a redundant set of critical data which includes:

1. error corrections that may have occurred on electronic linked bingo devices or game control servers (invalid PIN; game interrupt; etc.);
 2. program error check and verification and authentication mismatch;
 3. recall of all wagers and other play information (e.g. electronic linked bingo face number, serial number or permutation number of game.) associated with all games in play and prior to close-out of daily activity;
 4. electronic meters capturing the record of transactions for electronic linked bingo devices in use for each game control server including:
 5. bingo faces purchased and prizes won;
 6. electronic device(s) in play for each site;
 7. software state (the last normal state or last status before interruption);
 8. a log of all current-day transactions prior to interruption;
 9. comprehensive checks of critical memory for each device in operation shall be made following game initiation including each specific bingo face in play, bingo number(s) selected and winner verification;
 10. an unrecoverable corruption of critical memory shall result in an error notification and cause all electronic linked bingo devices in play to cease further function. An unrecoverable critical memory error report shall be generated to the Gambling Control Board and shall include the name of the authorized person that performs any recapture or memory clear of the game control server; and
 11. The system shall have the ability to accurately and securely cash out all players who have funds in the system in the event of power or wireless network loss or other time of game/play interruption.
- G. Randomization. An electronic linked bingo game system shall utilize randomizing procedures in the creation of games for electronic linked bingo faces that have been created using a method previously approved by the Board.
- As used in this section, unless the context requires a different meaning:
1. "face position" means the first bingo face dealt, second bingo face dealt in sequential order, or
 2. "Number position" means the first number drawn in sequential order.

Any random number generation, shuffling, or randomization of outcomes used in connection with an electronic linked bingo system must be by use of a random number generation application that has successfully passed standard tests for randomness and unpredictability including but not limited to:

1. Each face position or number position satisfies the 99% confidence limit using the standard chi-squared analysis. "Chi-squared analysis" is the sum of the ratio of the square difference between the expected result and the observed result to the expected result.
2. Each face position or number position does not produce a significant statistic with regard to producing patterns of occurrences. Each face position or number position will be considered random if it meets the 99% confidence level with regard to the "run test" or any similar pattern testing statistic. The "run test" is a mathematical statistic that determines the existence of recurring patterns within a set of data.
3. Each face position or number position is independently chosen without regard to any other face or number drawn within that game play. This test is the "correlation test." Each pair of face positions or number positions is considered random if it meets the 99% confidence level using standard correlation analysis.
4. Each face position or number position is independently chosen without reference to the same face position or number position in the previous game. This test is the "serial correlation test." Each face position or number position

is considered random if it meets the 99% confidence level using standard serial correlation analysis.

- H. Game information. Prior to the commencement of an electronic linked bingo game, the following data shall be maintained and be viewable both electronically and if requested, by printed report upon demand:
1. a unique serial number identifying each game/session ID and each bingo face ID;
 2. a description of the game sufficient to categorize the game/session relative to other games/sessions;
 3. the number of total electronic linked bingo faces in play in the game/session;
 4. the jackpot prize for the game/session based on the number of electronic linked bingo faces in play for each game and the cost for each face; and
 5. the purchase price per electronic linked bingo face assigned to the game/session.
- I. Electronic linked bingo face generation. Upon purchase initiation request from an electronic bingo device, the electronic linked bingo system shall dispense an electronic facsimile of a bingo face. Once dispensed, such face or outcome must not be reused until the game is replenished.
- J. Game status & auditing. Only upon the game termination shall the details of that game be revealed to the person(s) performing the game audit or status check. If an audit or other game determination including but not limited to a determination of the prizes won or prizes remaining to be won, is conducted by anyone while a game is in play, termination of the entire game must immediately occur.
- K. Game definition. All games/sessions must contain the following information:
1. game ID;
 2. game pattern type;
 3. game version;
 4. manufacturer;
 5. game name;
 6. purchase price per electronic linked bingo face; and
 7. prize payout for jackpot.
- L. System security and access. The electronic linked bingo game system must be located within Minnesota and in a secure location with limited, authorized access. Registration of authorized employees must be provided to the Gambling Control Board. The system shall provide a secure physical and electronic means, for securing the games against alteration, tampering, or unauthorized access. The system must have the ability for the board and other authorized state representatives to have real time access to data including all accounting for sales and prizes and credits on a per device, per site basis.
- M. Data alteration. The electronic linked bingo system shall not permit the alteration of any accounting or significant event log information that was communicated from the electronic linked bingo device without board approved access controls. In the event financial data is changed, an automated audit log must be capable of being produced to document:
1. data element altered;
 2. data element value prior to alteration;
 3. data element value after alteration;
 4. time and date of alteration; and
 5. personnel that performed alteration (user login).
- N. Backup and recovery. The following is required for all data backup and recovery:
1. An electronic linked bingo system shall have a separate physical medium for securely storing required data on the computer, which shall be mirrored in real time by a backup medium.

2. All data required to be available or reported by this chapter must be retained for a period of not less than three years.
 3. All storage of critical data shall utilize error checking and be stored on a nonvolatile physical medium.
 4. The database shall be stored on redundant media so that no single failure of any portion of the system would result in the loss or corruption of data.
 5. In the event of a catastrophic failure when the electronic linked bingo system cannot be restarted in any other way, it shall be possible to reload the electronic linked bingo system from the last viable backup point and fully recover the contents of that backup, to consist of at least the following information:
 - a) all date and time indicators associated with data failure and linked bingo system reload;
 - b) all accounting information;
 - c) auditing information, including all open game schedules and the summary of completed games; and
 - d) employee files with access levels.
- O. Password access. The operating system must provide comprehensive password security or other secure means of ensuring data integrity and enforcing user permission. It is required that:
1. All programs and important data files must only be accessible via the entry of a password that will be known only to authorized personnel;
 2. The storage of passwords must be in an encrypted, non-reversible form;
 3. A program must be available that will list all registered users on the system including their privilege level; and
 4. The password must have a length of at least six (6) alpha, numeric, and one symbol characters.
- P. System log-on. The operating system and/or any central or game control servers must have a password sign-on with two (2) level codes comprising the personal identification code and a personal password.
- Q. Security level & access restriction. The operating system must have multiple security access levels to control and restrict different classes of access to the central system. The accounts for the access levels must be unique when assigned to the authorized personnel and only one user per account is allowed.
- R. Electronic accounting and reporting. One or more electronic accounting systems shall be required to perform reporting and other functions in support of electronic linked bingo system. The electronic accounting system shall not interfere with the outcome of any gaming function.
- S. Reporting capabilities of electronic accounting system. The following reporting capabilities must be provided by the electronic linked bingo game to authorized personnel (authorized personnel includes the manufacturer and distributor providing the game; the licensed charity offering the game; and employees of the Board and the Department of Revenue):
1. Electronic linked bingo game report – game in play. An electronic linked bingo game report must be available on demand for each game currently in play and prior to winner verification. The report must contain the following information:
 - a) a unique serial number identifying each game;
 - b) a description of the game sufficient to categorize the game relative to other games;
 - c) the total number of electronic linked bingo faces in play in the game;
 - d) the jackpot prize of the entire game;
 - e) the purchase price per electronic linked bingo face assigned to the game;
 - f) the time and date that the game became available for play; and
 - g) locations where the game is being played.

2. Electronic linked bingo game report – completed game. An electronic linked bingo game report must be available on demand, for each completed game. The report must contain the following information:
 - a) a unique serial number identifying each game;
 - b) description of the game sufficient to categorize the game relative to other games;
 - c) the total number of electronic linked bingo faces played/sold;
 - d) the time and date that the game became available for play;
 - e) the time and date that the game was completed or removed from play;
 - f) locations where game was played;
 - g) the detailed accounting for each site (total faces played; prizes awarded);
 - h) the final payout percentage of the game when removed from play; and
 - i) the purchase price per electronic linked bingo face assigned to the game.
- T. Required format. The electronic accounting reports must be provided in a format prescribed by the Board.
- U. Wireless game system (WGS) Each component of a WGS must function as indicated by the communication protocol implemented by the licensed manufacturer of the electronic linked bingo game system. All communication between the server(s) and the mobile electronic linked bingo devices must use appropriate authentication and cryptographic protocols to provide mutual authentication of the mobile unit and the server, ensuring the integrity of the data communicated, and for confidentiality, encrypting the data communicated. (Note: Each wireless gaming system as submitted to the test laboratory will be examined thoroughly to ensure that the proposed field configuration is secure and may provide additional security recommendations to maintain the integrity of the configuration.)
- V. Wireless gaming security. The WGS shall be designed or programmed in such a way, that it may only communicate with authorized wireless devices using a non-broadcasting encrypted system. The WGS shall include the ability to automatically disable an electronic linked bingo device if the device goes beyond a physical boundary restriction at sales location.
- W. Firewall protection. All communications must pass through at least one approved application-level firewall. Alternative network paths allowed if equally protected by a firewall. Firewall application must maintain an audit log of the following information and must disable all communications if repeated unauthorized access is detected:
 1. all changes to configuration of the firewall;
 2. all successful and unsuccessful connection attempts through the firewall; and
 3. the source and destination IP addresses, and port numbers.
- X. Remote access Remote access, where permitted by the board, shall authenticate all computer systems based on the authorized settings or firewall application. The following are additional requirements:
 1. No unauthorized remote user administration functionality.
 2. No unauthorized access to any database other than information retrieval using existing functions;
 3. No unauthorized access to the operating system; and
 4. Maintain an activity log that includes:
 - a) log on name;
 - b) time and date the connection was made;
 - c) duration of connections; and
 - d) activity while logged in, including the specific areas accessed and change made.

Subp. 2. **Sales of linked bingo paper; sale and lease of linked bingo game system equipment; lease of electronic linked bingo system and games and services.** This subpart applies to the sale of linked bingo paper and the sale or lease of linked bingo game system equipment **or lease of electronic linked bingo system and games** and services.

A. A linked bingo game provider may not provide any linked bingo paper or linked bingo game system equipment or services to a **licensed distributor or** licensed organization before the effective date of the linked bingo game provider's license.

B. The terms and conditions of an agreement to provide linked bingo game system equipment or services to a licensed organization must be in a form approved by the board. The agreement must include details on the operation of the linked bingo game and distribution of costs and proceeds. A copy of the agreement must be submitted to the board or director before the first linked bingo game is conducted by the organization. Before being implemented, any subsequent changes to an agreement must be submitted to the director for review and approval.

C. If an organization's license is revoked, lapsed, or terminated, or if the premises permit is revoked, the linked bingo game agreement is canceled without further obligations on the part of the organization, except that all linked bingo equipment must be returned by the organization to the linked bingo game provider.

D. Linked bingo paper sold for use in Minnesota must be delivered only to the licensed **organization distributor** that ordered the linked bingo paper.

E. A linked bingo game provider may not provide a merchandise prize to a licensed organization conducting linked bingo.

F. The following apply to the lease of electronic bingo devices.

(1) A linked bingo game provider may only lease electronic bingo devices to a licensed organization and is prohibited from selling electronic bingo devices to a licensed organization.

(2) A linked bingo game provider may lease electronic bingo devices to more than one licensed organization at the same permitted premises.

(3) The lease agreement must contain the organization's license number, name and address of the permitted premises where the electronic bingo devices will be used, and terms of the lease agreement, including a prohibition that the electronic bingo devices must not be transferred to another permitted premises unless approved in writing by the board.

(4) The lease price of an electronic bingo device:

(a) must be based on a predetermined monthly amount or based on the per unit lease amount for the previous calendar week; and

(b) must not be based on a percentage of gross receipts.

(5) The linked bingo game provider must submit a copy of the lease agreement to the board within ten days of signing or amending a lease agreement.

Subp. 2a. **Conduct of linked bingo game.** When conducting a linked bingo game in conjunction with the requirements of part **7861.0270**, subpart 10, a linked bingo game provider must:

A. comply with the management plan required by part **7863.0250**, subpart 5, item D, and approved by the board, with any subsequent changes to be reviewed, modified if necessary, and approved by the director;

B. ensure that the linked bingo system operates as required by part **7863.0260**, subpart 1a or **7863.0260 subp X for electronic linked bingo games**;

C. establish and maintain audio, video, and secured data transmission as necessary. At least five minutes before the first bingo number is selected, the linked bingo game provider must verify the link status between all participating organizations and the location where the bingo numbers are being selected. Before the first bingo number is selected, the linked bingo game provider must announce the jackpot amount;

D. establish and maintain an appropriate back-up system if primary transmission of audio, video, or data fails;

E. record and keep for a minimum of 60 days all activity related to the video or electronic transmission of a linked bingo game;

F. provide for all players a free player's guide that must contain information about the linked bingo game mechanics and prize structure of linked bingo games;

G. award linked bingo prizes within three business days of verification of the winning bingo. Linked bingo prizes are considered awarded when mailed payment is postmarked. If payment is transmitted in any other manner, linked bingo prizes are considered awarded upon receipt by the player. If there are multiple winners, the jackpot amount must be equally divided and awarded for each verified winning bingo face. Fractional dollars may be rounded to the nearest higher dollar; and

H. prepare and submit to the appropriate state and federal agencies all relevant tax information pertaining to winners of linked bingo game jackpots.

Subp. 3. **Return of defective linked bingo paper; issuing credit invoice.** This subpart pertains to the return of linked bingo paper that was not manufactured in compliance with the standards in part **7864.0230** and was returned to the linked bingo game provider according to part **7861.0260**, subpart 8.

A. Within 14 business days of accepting the return of linked bingo paper and making a determination that the linked bingo paper was not manufactured according to part **7864.0230**, subpart 4, the linked bingo game provider must issue a credit invoice to the organization. A copy of the credit invoice must be filed electronically, as required by the commissioner of revenue.

B. If the linked bingo game provider ships replacement linked bingo paper to the organization, the linked bingo game provider must prepare a sales invoice as required in subpart 5.

Subp. 4. **Recall of gambling equipment; issuing credit invoice.** A linked bingo game provider must participate in a gambling equipment recall mandated by the board or initiated by the manufacturer, or initiate a recall when it has determined that linked bingo paper does not meet the standards of part **7864.0230**, subpart 4, and comply with the following requirements.

A. Within three business days of receiving notification from the manufacturer or board director, the linked bingo game provider must initiate the recall from licensed organizations to which it sold the linked bingo paper.

B. The linked bingo game provider must complete the recall within 15 business days of initiation and notify the board and the commissioner of revenue in writing that it has completed the recall. The notification must include the following:

- (1) an inventory of the recalled linked bingo paper; and

(2) a list of all organizations, including license numbers, from which the linked bingo paper was recalled.

C. Within seven business days of receiving a credit invoice from the manufacturer, the linked bingo game provider must issue credit invoices to all organizations returning linked bingo paper under the recall. Credit invoices must include the cost of freight paid by the organization and any valid and documented losses incurred over which the organization had no control or ability to prevent. Copies of the credit invoices must be filed electronically as required by the commissioner of revenue.

Subp. 5. **Sales invoice.** A linked bingo game provider who sells, leases, or provides linked bingo equipment must record the transaction on a sales invoice that contains the following information as required by the commissioner of revenue:

A. linked bingo game provider's name, address, telephone number, ~~Minnesota tax identification number, federal employer identification number~~, and license number;

B. name, address, ~~Minnesota tax identification number, federal employer identification number~~, and license number of the organization to whom the sale was made, and premises permit number of the site;

C. invoice number;

D. name of the person who ordered the linked bingo paper, and name of the linked bingo game provider's salesperson who sold the linked bingo paper;

E. date of shipment and shipping charges, if any;

F. any applicable sales tax;

G. color and serial number, unit price, and total amount being invoiced;

H. unit price or lease cost of each item and total amount being invoiced;

I. any value for discount, rebate, or other incentive affecting the unit price which must be separately stated; and

J. price for which the linked bingo paper must be sold by the organization.

Subp. 6. **Monthly sales report to revenue required.** A linked bingo game provider who sells, leases, or provides gambling equipment must electronically report the transactions made each month to the commissioner of revenue as required under Minnesota Statutes, section 297E.05. The report is due by the 20th of the next month.

Subp. 7. **Delinquent organization notice to board required.** This subpart pertains to the notice to the board that an organization is delinquent in payment of an invoice.

A. If a linked bingo game provider has not received payment from an organization within 30 days of the day immediately following the invoice date or lease agreement, the linked bingo game provider must report the delinquency to the board in writing in an electronic format authorized by the board. The linked bingo game provider must ensure that the board will receive the notice by the 31st day, or the next business day, after the invoice date for the sale or lease of the gambling equipment. The notice must include:

(1) the organization's name and license number; and

(2) an invoice or lease agreement date, invoice number, and total dollar amount of the invoice or lease agreement.

B. If a linked bingo game provider has not received payment in full within 60 days of its initial notice to the board, the linked bingo game provider must notify the board of the continued delinquency. The linked bingo game provider must ensure that the board will receive the notice on the 61st day, or the next business day, after the linked bingo game provider's initial report to the board.

C. When the delinquency is paid, the linked bingo game provider must notify the board immediately.

D. Upon receipt of the initial notice under item A, the board must:

(1) notify and direct the organization to eliminate the delinquency; and

(2) notify all linked bingo game providers and distributors that until further notice they may only sell or lease gambling equipment to the delinquent organization on a cash basis. "Cash" means a debit card payment, electronic transaction, or check drawn on the organization's gambling account.

E. Upon receipt of the second notice under item B, the board must notify:

(1) the organization that the sale and lease of gambling equipment to the organization will not be authorized until the delinquency is eliminated; and

(2) all linked bingo game providers and distributors that they may not sell or lease any gambling equipment to the delinquent organization.

F. When the board has been notified that the delinquency is paid in full, the board must notify all linked bingo game providers and distributors that the delinquency has been paid and that the sale or lease of gambling equipment to the organization is authorized.

G. Until authorized by the board, a linked bingo game provider or distributor may not extend credit or sell or lease gambling equipment to an organization in violation of an order under items D and E.

Subp. 8. **Linked bingo game records required.** The linked bingo game provider must keep a record of each linked bingo game conducted. The record must include, at a minimum, the following information for each linked bingo game:

A. names and license numbers of all organizations participating, the date the linked bingo game was conducted, and a list of all permitted premises, including name and city;

B. price per face for linked bingo paper sheets and the quantity of linked bingo paper sheets sold at each permitted premises, including serial numbers and face numbers;

C. bingo pattern played; a list of all selected letters and numbers, in order selected, and the letter and number called that produced the winning bingo; and a copy of each winning face;

D. jackpot amount and any progressive jackpot prize winnings;

E. winner's information, including:

(1) name, address, and Social Security number;

(2) amount of the jackpot won;

(3) date the check was mailed to the jackpot winner and a certified mail receipt;

- (4) copy of the check; and
- (5) all correspondence related to any returned, unclaimed, or voided checks;
- F. name and city of each permitted premises where each winning bingo was won;
- G. amount of money collected from each licensed organization for each jackpot; and
- H. amount of fees collected for each linked bingo game.

All linked bingo game information, including game sales, must be recorded in a manner that allows it to be electronically transmitted to the board's computer system upon demand by the board, and at the expense of the linked bingo game provider.

Subp. 9. **Records and reports maintained.** The linked bingo game provider must maintain reports and records of the sale of linked bingo paper, the sale or lease of linked bingo game system equipment, the conduct of each linked bingo game, and linked bingo game agreements as required by this part and by Minnesota Statutes, section [297E.05](#), for 3-1/2 years.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 35 SR 1528*

Posted: *April 7, 2011*

7864.0210 MANUFACTURER LICENSES.

Subpart 1. **Manufacturer license required.** A manufacturer of gambling equipment may not sell or furnish gambling equipment for use in Minnesota to any licensed distributor or linked bingo game provider unless the manufacturer has obtained a manufacturer's license or license renewal issued by the board.

Subp. 2. **Manufacturer licensing qualifications.** A manufacturer is not eligible for a manufacturer's license unless they have met the requirements of Minnesota Statutes, sections **349.155**, subdivision 3, and **349.163**. For purposes of compliance with Minnesota Statutes, section **349.155**, subdivision 3, the following definitions apply.

A. "Director" means a member of the manufacturer's board of directors.

B. "Officer" means any person elected, appointed, or designated as an officer by the manufacturer's board of directors.

C. "Other person in a supervisory or management position" means any person employed to direct or control the personnel and activities of a manufacturer's department or division.

Subp. 3. **Manufacturer restrictions.** In addition to the prohibitions in Minnesota Statutes, sections **349.155**, subdivision 3, and **349.163**, the following restrictions apply when conducting business with distributors or linked bingo game providers authorized to sell lawful gambling equipment in Minnesota. A manufacturer, or any representative, agent, affiliate, or employee of a manufacturer may not:

A. be an officer, director, paid employee, gambling volunteer, or gambling manager of an organization involved in the conduct of lawful gambling;

B. be involved in or influence the purchase of gambling equipment for an organization;

C. be an owner, officer, director, or partner of a wholesale alcoholic beverage distributor;

D. lease or rent storage space in Minnesota from any other licensee or employee of a licensee of the board;

E. provide or permit an affiliate or person acting on behalf of the manufacturer to provide any compensation, gift, gratuity, premium, contribution, or thing of value to a board employee or board members;

F. lease premises to an organization for the conduct of lawful gambling;

G. directly or indirectly give gifts, trips, prizes, loans of money, premiums, or other gratuities to gambling organizations or their employees, other than nominal gifts not exceeding a value of \$25 per organization in a calendar year. "Value" means actual market value or suggested market value, whichever is less. A manufacturer, or a representative, agent, affiliate, or employee of a manufacturer may not contribute more than \$250 in any calendar year to an organization or participate in a fund-raising event if the contribution or fund-raising event is related to the organization's conduct of lawful gambling; or

H. provide any merchandise prize, as part of the sale of any game, either through a gift or sale, to an organization or employees of an organization conducting lawful gambling.

Subp. 4. **Contents of manufacturer license application.** The manufacturer license application must contain the following information:

A. manufacturer's legal name, any other names used, the legal nature of the business (sole proprietorship, partnership, limited liability company, or corporation), Minnesota tax identification number, and federal employer identification number;

B. business address, telephone number, and mailing address, if different than the business address;

C. address and telephone number of each storage facility in Minnesota;

D. Minnesota tax identification number, if any;

E. names and titles of the owners, officers, directors, persons in a supervisory or management position, sales employees, and persons or entities with a direct or indirect financial interest of five percent or more in the manufacturer;

F. type of gambling equipment to be sold in Minnesota;

G. address and telephone number of each facility where gambling equipment is manufactured;

H. name, address, and telephone number of the manufacturer's registered agent in Minnesota;

I. a list of all other states or jurisdictions where the manufacturer is currently licensed;

J. an acknowledgment regarding licensing qualifications in subpart 2 and restrictions in subpart 3;

K. date and signature, in ink, of the chief executive officer; and

L. additional information that may be required by the board to properly identify the manufacturer and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

Subp. 5. **Attachments to manufacturer license application.** The manufacturer must attach the following items to the application.

A. A manufacturer's personnel form, in a format prescribed by the board, must be completed by each:

(1) owner;

(2) partner;

(3) member of the board of directors or board of governors;

(4) officer, including but not limited to president, vice-president, secretary, treasurer, controller, or general counsel;

(5) plant manager;

(6) sales employee who is located in Minnesota, makes sales trips to Minnesota, or contacts distributors or linked bingo game providers in Minnesota for sales of gambling equipment;

(7) person or entity with a direct or indirect financial interest of five percent or more in the manufacturer; and

(8) consultant who provides advice for the sale or design of gambling equipment for sale in Minnesota.

B. The manufacturer personnel form must include:

- (1) manufacturer's name and license number, if issued;
- (2) name and address, date of birth, Social Security number, and daytime telephone number of the person;
- (3) person's position with the manufacturer;
- (4) Minnesota tax identification number of businesses the person has owned during the past ten years;
- (5) employment history and places of residence for the last ten years;
- (6) name, address, and license number, exempt permit number, or excluded authorization of any organization conducting lawful gambling in Minnesota of which the person is a member;
- (7) criminal history statement, not including petty misdemeanors;
- (8) an acknowledgment regarding the licensing qualifications in subpart 2 and restrictions in subpart 3;
- (9) date and signature, in ink, of the person; and
- (10) additional information that may be required by the board to properly identify the person and ensure compliance with Minnesota Statutes, sections 349.11 to 349.23.

C. The manufacturer must submit a copy of its logos which will be used to identify the manufacturer on all gambling equipment sold in Minnesota.

D. The manufacturer must submit an organizational chart illustrating its management structure.

Subp. 6. **Changes in manufacturer license application information.** If any information submitted in the application changes during the license term, the manufacturer must notify the board within ten days of the change.

Subp. 7. **Issuing or denying a new or renewal manufacturer license.** This subpart applies to a manufacturer license issued or denied by the board.

A. Before issuing or denying a new or renewal manufacturer license, the board must conduct or request the director of alcohol and gambling enforcement to conduct a background investigation that includes a review of the manufacturer's sources of financing, ownership, and organizational structure. Actual costs in addition to the new or renewal application fee must be paid by the manufacturer.

B. The board must issue a new or renewal license to a manufacturer who:

- (1) submits the information required in the application and attachments, and for a renewal application submits a complete application at least 75 days before the expiration of the existing license;
- (2) pays the fee required by Minnesota Statutes, section 349.163, subdivision 2; and
- (3) is eligible to receive a license under item A and subparts 2 and 3.

C. The board must deny the application if a manufacturer:

- (1) is ineligible under subparts 2 and 3; and
- (2) failed to submit all information required by subparts 4 and 5.

When the board determines that an application must be denied, the board must promptly give a written notice to the manufacturer. The notice must contain the grounds for the action and reasonable notice of the rights of the manufacturer to request an appeal under part 7865.0260, subpart 2 or 4, whichever is applicable.

D. All fees submitted with a new or renewal license application are considered earned and are not refundable.

Subp. 8. **Manufacturer license effective date.** A manufacturer license issued by the board is effective on the first day of the month after board approval or as otherwise determined by the board.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: *April 7, 2011*

7864.0230 MANUFACTURER STANDARDS FOR LAWFUL GAMBLING EQUIPMENT.

Subpart 1. **Prior board approval required for pull-tab and tipboard games and promotional pull-tab or tipboard tickets; conformance with standards for previously approved games.** The following pertain to prior board approval required for pull-tab and tipboard games and promotional pull-tab or tipboard tickets manufactured for sale in Minnesota, and conformance with standards for previously approved games.

A. To obtain prior board approval, a manufacturer must submit to the director a deal of tickets, flare, and prize pool board, if any, that has been produced to comply with the manufacturing standards prescribed in this chapter.

B. Within 14 days of receipt of the deal, the director must notify the manufacturer in writing of the director's decision to recommend approval or denial of the game.

(1) The written notice to recommend denial, or denial by the board, must state the basis for the recommendation or the denial.

(2) Within 14 days of receipt of a notice recommending denial, the manufacturer may request a contested case hearing under Minnesota Statutes, chapter 14.

(3) The board may withdraw its approval if it determines that the tickets, flares, and prize pool boards, if any, were not manufactured in such a manner to be tamper-resistant. If the board decides that its approval should be withdrawn, the board must issue an order initiating a contested case hearing under Minnesota Statutes, chapter 14.

C. Manufacturers are in compliance if the game is approved by the board, and all tickets, flares, and any prize pool boards are produced in compliance with the manufacturing standards prescribed in this chapter. Once approved, a manufacturer may not change a game without prior approval of the board, in compliance with subpart 11.

D. All pull-tab and tipboards deals and promotional pull-tab or tipboard tickets submitted for approval and approved in Minnesota after July 1, 2011, must be in compliance with the standards by July 1, 2011.

E. All pull-tab and tipboard deals and promotional pull-tab or tipboard tickets approved for sale in Minnesota prior to July 1, 2011, and manufactured after July 1, 2011, must be in compliance by December 31, 2011.

Subp. 1a. **Manufacturing standards for pull-tab and tipboard ticket information.** Pull-tab and tipboard tickets manufactured for sale in Minnesota must, at a minimum, include the following information printed on the front of a ticket and be the same for all tickets in a deal:

A. manufacturer's name or its board-registered logo;

B. game name, which must be identical to the game name on the flare for that deal;

C. game serial number, which must be a minimum of five and a maximum of eight characters, printed on the game information side of the pull-tab, and must not be repeated on gambling equipment of the same form number for 3-1/2 years from the date of the manufacturer's invoice to the distributor. There must not be more than one serial number in a deal;

D. unique form number for that game;

E. cost per play, not to exceed the limit under Minnesota Statutes, section 349.211;

F. quantity of winners in each tier, and the respective winning numbers or symbols and prize amount;

G. paper tickets with an unopened, overall area of 1.6 square inches or less are exempt from items D, E, and F; and

H. paper tickets with an overall area of less than 2.5 square inches but more than 1.6 square inches are exempt from item F.

Subp. 1b. **Manufacturing standards for design and manufacture of paper pull-tab and tipboard tickets.** The design and manufacture of paper pull-tab and tipboard tickets must comply with the following.

A. Except for folded and banded tickets, symbol blocks must be a minimum of 2.5/32 inch from the die-cut edge of the ticket.

B. To be tamper-resistant, tickets must be designed, constructed, glued, and assembled to prevent the determination of a winning or losing ticket before its sale to the public:

(1) from the outside of the ticket in any manner;

(2) without removing the tabs or opening the tickets to reveal the numbers or symbols;

(3) when using a light; or

(4) due to any manufacturing or color variations in the tickets.

The glue must be of sufficient strength and type to prevent the separation or delamination of the ticket.

C. All winning tickets must have a primary and secondary form of identifying a winner. A secondary form of identifying a winner is not required for folded and banded tickets.

D. Winning tickets must comply with the following:

(1) tickets with both a primary and secondary win indicator must be designed so the win indicators are a minimum of 3.5/32 inch from the die-cut edge of the ticket;

(2) if a win bar is used and extends into the column farthest from the hinged side of the ticket, it must be 5/32 inch from the die-cut edge; and

(3) if randomly generated alphanumeric win indicators are used, they must be printed in the space between the hinge and the column closest to the hinge, or located in any position except the column farthest from the hinged side. Alphanumeric win indicators must be designed so that the code numbers, or any color used to highlight the code numbers, are a minimum of 3.5/32 inch from the die-cut edge.

E. Dimensions must be the same for all tickets in the deal.

F. Tickets must not contain coupons or discounts.

G. The winning tickets for a multiple seal or cumulative game must specify the seal to be opened or uncovered by the seller.

H. Pull-tab tickets for an event game must be designed in such a way to avoid duplicate winning hold tickets. This item pertains to event games allowed by Minnesota Statutes, section 349.1721, subdivision 2.

I. Each deal must have an ideal sales and prize payout structure designed to result in a profit for the game, not to exceed the limit under Minnesota Statutes, section 349.2113.

Subp. 1c. **Manufacturing standards for packaging of paper pull-tab and tipboard tickets.** The packaging of paper pull-tab and tipboard tickets for each deal must comply with the following.

A. Winning tickets must be distributed and mixed among all other tickets in a deal to eliminate any pattern between deals or portions of deals from which the location or approximate location of any winning tickets may be determined. The deal must be assembled so that placement of winning or losing tickets does not allow for the possibility of prize manipulation or selection of winning tickets.

B. Subsets of a deal are not allowed.

C. A cumulative game may not contain more than 10,000 tickets in total for all deals in the game.

D. Each deal's container must be sealed with a manufacturer's seal including a warning to the purchaser that the game may have been tampered with if the container was received by the purchaser with the manufacturer's seal broken.

(1) The seal must be of sufficient strength to prevent the seal from breaking when shipped to a purchaser.

(2) The seal must be:

(a) under the container's shrink-wrap; or

(b) if tickets are packaged using a heat-sealed process with plastic with a minimum thickness of 2 mil, the seal must be printed or affixed on the plastic.

E. The serial number must be clearly and legibly placed on the outside of the deal's container.

F. Except for deals packaged using a heat-sealed process with plastic with a minimum thickness of 2 mil, each pull-tab deal, including the flare and any other required information, must be sealed in shrink-wrap. Each case of individual tipboard games in which the tipboard tickets are affixed to the flare must be sealed in shrink-wrap.

G. The manufacturer must:

(1) attach to the outside of the container a bar code that contains information required by the commissioner of revenue according to Minnesota Statutes, section 297E.04, subdivision 2; and

(2) include an extra self-adhesive bar code inside each deal.

H. Each deal must contain the same number of tickets and winning combinations in the same denomination as listed on the flare.

Subp. 1d. **Manufacturing standards for paper pull-tab and tipboard flares.** The front of the paper pull-tab and tipboard flare must include:

A. manufacturer's name or board-registered logo;

B. game name and serial number, which must be identical to the same information printed on the tickets in the deal;

C. unique form number for that game;

D. ticket count;

E. prize structure, including the quantity of symbols or numbers for winning tickets by denomination, with their respective winning symbol or number combinations. The prize amounts may not exceed the limit under Minnesota Statutes, section 349.211;

F. cost per play, not to exceed the limit under Minnesota Statutes, section 349.211;

G. language contained in Minnesota Statutes, section 349.163, subdivision 5, paragraph (e);

H. Minnesota geographic boundary symbol printed on the bottom front of the flare, as required by Minnesota Statutes, section 349.163, subdivision 5, paragraph (d);

I. bar code affixed or printed on the bottom front of the flare, as required by the commissioner of revenue under Minnesota Statutes, section 297E.04, subdivision 2. The serial number in the bar code must be printed in numbers and letters at least one-half inch high and must be the same as the serial number on the tickets for that deal and on the flare;

J. for each deal sold to a licensed distributor for use by an Indian tribe, the flare must contain the bar code but must not contain the Minnesota geographic boundary symbol;

K. for flares containing a seal or seals, including progressive, multiple seal, and cumulative flares, the information required by items A to J, and:

(1) the flare must be manufactured so that none of the information under the seals can be determined in advance of opening or uncovering the seals in any manner or by any device including but not limited to any pattern in manufacture, assembly, packaging, markings, or by use of a light. The glue must be of sufficient strength and type to prevent the separation or delamination of the flare;

(2) individually numbered seals that:

(a) when opened, identify the seal prize on the back of the seal tab; or

(b) when uncovered, identify the seal prize under the seal; and

(3) for progressive games:

(a) a seal that determines the seal prize winner who chooses one or more seals for a chance to win the progressive jackpot prize;

(b) a section where names are recorded for all ticket holders entitled to a chance on the jackpot seal prizes;

(c) a section used by operators to record the current progressive jackpot amount;

(d) an amount to be contributed to the progressive jackpot flare from each deal in the game; and

(e) the maximum progressive jackpot amount for the game, not to exceed the limit under Minnesota Statutes, section 349.211;

L. for pull-tab event games allowed by Minnesota Statutes, section 349.1721, subdivision 2, the alternative methods of selecting a winning ticket or tickets;

M. a seal card that meets all of the requirements of this subpart may serve as the flare for the game; and

N. a placard or flare for a tipboard game must also meet the requirements in Minnesota Statutes, section 349.1711.

Subp. 1e. **Manufacturing standards for prize pool board for cumulative paper pull-tab or tipboard game.** The front of a prize pool board for a cumulative paper pull-tab or tipboard game must include, at a minimum:

A. manufacturer's name or board-registered logo;

B. game name;

C. form number, which must be identical to all deals related to the cumulative game;

D. prize structure, including the quantity of symbols or numbers for winning tickets by denomination, with their respective winning symbol or number combinations. The prize amounts may not exceed the limit under Minnesota Statutes, section 349.211;

E. cost per play, not to exceed the limit under Minnesota Statutes, section 349.211;

F. language contained in Minnesota Statutes, section 349.163, subdivision 5, paragraph (e);

G. Minnesota geographic boundary symbol printed on the bottom front of the flare, as required by Minnesota Statutes, section 349.163, subdivision 5, paragraph (d);

H. individually numbered seals that:

(1) when opened, identify the seal prize on the back of the seal tab; or

(2) when uncovered, identify the seal prize under the seal; and

I. be manufactured so that none of the information under the seals can be determined in advance of opening or uncovering the seals in any manner or by any device including but not limited to any pattern in manufacture, assembly, packaging, markings, or by use of a light.

A prize pool board that meets all of the requirements of this subpart may be used as the flare for the game.

Subp. 1f. **Manufacturing standards for separate progressive paper pull-tab or tipboard jackpot flare.** For a separate progressive jackpot flare for a paper pull-tab game, the minimum information printed on the front of the flare must include:

- A. manufacturer's name or board-registered logo;
- B. game name and serial number, which must be identical to the same information printed on the tickets in the deal;
- C. cost per play, which may not exceed the limit under Minnesota Statutes, section 349.211;
- D. form number which must be identical to all games related to the specific progressive jackpot;
- E. ticket count;
- F. seals for the progressive jackpot round and consolation prize amounts, if any. The prize amounts may not exceed the limit under Minnesota Statutes, section 349.211;
- G. section used by operators to record the current progressive jackpot amount; and
- H. amount to be contributed to the progressive jackpot from each deal in the game.

The flare must be manufactured so that none of the information under the seals can be determined in advance of opening or uncovering the seals in any manner or by any device including but not limited to any pattern in manufacture, assembly, packaging, markings, or by use of a light.

Subp. 1g. **Manufacturing standards for promotional pull-tab or tipboard tickets.** Promotional tickets that mimic pull-tab and tipboard tickets, as defined by part 7861.0210, subpart 43, and Minnesota Statutes, section 349.12, subdivisions 18 and 31, must contain:

- A. manufacturer's name or board-registered logo;
- B. name of the promotional tickets;
- C. unique form number;
- D. unique serial number;
- E. the following statements:
 - (1) no purchase necessary; and
 - (2) for promotional use only.

A manufacturer may not duplicate the design of an approved pull-tab or tipboard game on any promotional pull-tab or tipboard ticket.

Subp. XX. Manufacturing standards for design and manufacture of electronic pull-tab tickets, and electronic pull-tab device and game system. The design and manufacture of electronic pull-tab tickets and electronic pull-tab device and game system must comply with the following:

- A. Electronic pull-tab tickets. In addition to the provisions in 7864.0230 subp. 1a, all tickets must:
1. Have a primary and secondary form of identifying a winner.
 2. Have a defined area on the face of the ticket for the window(s) or seal(s) covering the numbers or symbols.
 3. Depict winning numbers or symbols in a straight, consecutive pattern under the window(s) or seal(s).
- B. Electronic pull-tab device and game system. In addition to the provisions in MS 349.12 subd 12b, the electronic pull-tab device and game system must include:
1. Secured communication. Connections between all components of the electronic game system shall only be through the use of secure communication protocols which are designed to prevent unauthorized access or tampering, employing Data Encryption Standards (DES) or equivalent encryption protection.
 2. Independent verification check. The electronic pull-tab game system and all devices that communicate with the electronic pull-tab system shall have the ability to allow for an independent integrity check of the system's software from an authorized source approved by the board and is required for all control programs that may affect the integrity of the game. The integrity check will provide a means for field (on-site and offsite) verification of the software to identify and validate the program. All games in play must be identical to the games presented by manufacturer for testing.
 3. Accounting meters. Electronic accounting meters shall be at least ten (10) digits in length and shall be maintained in credit units equal to the denomination in dollars and cents.
 4. Cash and inventory verification. System shall record value of cash in, tickets played, credits won, credits played and cash out.
 5. Restricted use. Game control servers and electronic pull-tab devices shall not be capable of being used as a stand-alone unit for the purposes of engaging in any function or use not permitted by these standards at any time.
 6. Memory backup. Game control servers shall have a nonvolatile backup memory or its equivalent, which shall be maintained in a secure compartment on each game control server for the purpose of storing and preserving a redundant set of critical data which includes:
 - a. Error corrections that may have occurred on electronic pull-tab devices or game control servers (invalid PIN; game interrupt; etc.);
 - b. Program error check and verification and authentication mismatch;
 - c. Recall of all wagers and other play information (e.g. electronic pull-tab ticket number, serial number of game.) associated with the last 100 plays on each device;
 - d. Electronic meters capturing the record of transactions for electronic pull-tab devices in use for each game control server including:
 1. current credits;
 2. electronic device and game configuration data;
 3. software state (the last normal state or last status before interruption; and

4. a log of the last 100 transactions on each device;
 - e. Comprehensive checks of critical memory for each device in operation shall be made following game initiation but prior to display of game outcome to the player; an unrecoverable corruption of critical memory shall result in an error notification and cause all electronic pull-tab devices in play to cease further function. An unrecoverable critical memory error report shall be generated to the Gambling Control Board and shall include the name of the authorized person that performs any recapture or memory clear of the game control server; and
 - f. The system shall have the ability to accurately and securely cash out all players who have funds in the system in the event of power or wireless network loss or other time of game/play interruption.
7. Randomization. An electronic pull-tab game system shall utilize randomizing procedures in the distribution of electronic pull-tabs. The randomizing process for each pull-tab game shall take place prior to the placement of the game at the sales location.

As used in this section, unless the context requires a different meaning:

- "pull-tab position" means the first pull-tab dealt, second pull-tab dealt in sequential order, or,
- "number position" means the first number drawn in sequential order.

Any random number generation, shuffling, or randomization of outcomes used in connection with an electronic pull-tab system must be by use of a random number generation application that has successfully passed standard tests for randomness and unpredictability including but not limited to:

- a. Each pull-tab position or number position satisfies the 99% confidence limit using the standard chi-squared analysis. "Chi-squared analysis" is the sum of the ratio of the square difference between the expected result and the observed result to the expected result.
 - b. Each pull-tab position or number position does not produce a significant statistic with regard to producing patterns of occurrences. Each pull-tab position or number position will be considered random if it meets the 99% confidence level with regard to the "run test" or any similar pattern testing statistic. The "run test" is a mathematical statistic that determines the existence of recurring patterns within a set of data.
 - c. Each pull-tab position or number position is independently chosen without regard to any other pull-tab or number drawn within that game play. This test is the "correlation test." Each pair of pull-tab positions or number positions is considered random if it meets the 99% confidence level using standard correlation analysis.
 - d. Each pull-tab position or number position is independently chosen without reference to the same pull-tab position or number position in the previous game. This test is the "serial correlation test." Each pull-tab position or number position is considered random if it meets the 99% confidence level using standard serial correlation analysis.
8. Game information. Prior to the commencement of an electronic pull-tab game, the following data shall be maintained and be viewable both electronically and if requested, by printed report upon demand:
 - a. a unique serial number identifying each game;
 - b. a description of the game sufficient to categorize the game relative to other games;
 - c. the number of total electronic tickets in the game;
 - d. the payout percentage of the entire game;

- e. the overall payback percentage for the game and the number of electronic tickets at each award amount; and
 - f. the purchase price per electronic ticket assigned to the game.
9. Electronic pull-tab generation. Upon request from a pull-tab device, the electronic pull-tab system shall dispense an electronic facsimile of a pull-tab. Once dispensed, such ticket must not be reused until the game is replenished.
10. Game Status & Auditing. Only upon the game termination shall the finite details of that game be revealed to the person(s) performing the game audit or status check. If an audit or other game determination including but not limited to a determination of the individual prizes won or individual prizes remaining to be won, is conducted by anyone while a game is in play, termination of the entire game must immediately occur. Daily reports will be made available to the licensed organization which contains data relating to gross ticket sales and gross prizes paid on a per game basis. Electronic pull-tab game system shall allow for the early termination of games as determined by the licensed organization.
11. Game definition. All game definition files must contain the following information:
- a. game ID;
 - b. game type;
 - c. game version;
 - d. manufacturer;
 - e. game name;
 - f. form number;
 - g. purchase price per electronic ticket;
 - h. game ticket count; and
 - i. prize values with an associated index and frequency associated with how many of that particular prize exist.
12. System security and access. The electronic pull-tab game system must be located within Minnesota and in a secure location with limited, authorized access. Any system elements that hold game data (other than the electronic pull-tab devices) must be in a locked area with access limited to designated personnel. Registration of authorized employees must be provided to the Gambling Control Board. The system shall provide a secure physical and electronic means, for securing the games against alteration, tampering, or unauthorized access. The system must have the ability for the board and other authorized state representatives to have real time access to data including all accounting for sales and prizes and credits on a per device, per site basis.
13. Data alteration. The electronic pull-tab system shall not permit the alteration of any accounting or significant event log information that was communicated from the electronic pull-tab device without board approved access controls. In the event financial data is changed, an automated audit log must be capable of being produced to document:
- a. data element altered;
 - b. data element value prior to alteration;
 - c. data element value after alteration;
 - d. time and date of alteration; and
 - e. personnel that performed alteration (user login).
14. Backup and data recovery. The electronic pull-tab system shall include a backup and a data recovery which includes:

- a. An electronic pull-tab system shall have a separate physical medium for securely storing games on the computer, which shall be mirrored in real time by a backup medium.
 - b. A disaster recovery plan detailing the system backup features including physical location for medium storage and procedures for periodic testing and recovery shall be provided to the board as a condition of equipment approval.
 - c. All data required to be available or reported by this provision must be retained for a period of not less than three years.
 - d. All storage of critical data shall utilize error checking and be stored on a nonvolatile physical medium.
 - e. The database shall be stored on redundant media so that no single failure of any portion of the system would result in the loss or corruption of data.
 - f. In the event of a catastrophic failure when the distributed pull-tab system cannot be restarted in any other way, it shall be possible to reload the electronic pull-tab system from the last viable backup point and fully recover the contents of that backup, to consist of at least the following information:
 - a. all date and time indicators associated with data failure and pull-tab system reload;
 - b. all accounting information;
 - c. auditing information, including all open games and the summary of completed games; and
 - d. employee files with access levels.
15. Password access. The operating system must provide comprehensive password security or other secure means of ensuring data integrity and enforcing user permission. It is required that:
- a. all programs and important data files must only be accessible via the entry of a password that will be known only to authorized personnel;
 - b. the storage of passwords must be in an encrypted, non-reversible form;
 - c. a program must be available that will list all registered users on the system including their privilege level; and
 - d. the password must have a length of at least six (6) alpha, numeric, and one symbol characters.
16. System log-on. The operating system and/or any central or game control servers must have a password sign-on with two (2) level codes comprising the personal identification code and a personal password.
17. Security level & access restriction. The operating system must have multiple security access levels to control and restrict different classes of access to the central system. The accounts for the access levels must be unique when assigned to the authorized personnel and only one user per account is allowed.
18. Electronic accounting and reporting. One or more electronic accounting systems shall be required to perform reporting and other functions in support of electronic pull-tab system. The electronic accounting system shall not interfere with the outcome of any gaming function.
19. Reporting capabilities of electronic accounting system. The following reporting capabilities must be provided by the electronic pull-tab game system to authorized personnel (authorized personnel includes the manufacturer and distributor of the game; the licensed charity in possession of the game; and employees of the Board and the Department of Revenue):
- a. Electronic pull-tab game report – games in play. An electronic pull-tab game report must be available on demand for each game currently in play. Game

cards, outcomes, or prizes must not be revealed. The report must contain the following information:

1. a unique serial number identifying each game;
2. a description of the game sufficient to categorize the game relative to other games;
3. the total number of electronic pull-tabs in the game;
4. the theoretical payout percentage of the entire game;
5. the purchase price per electronic card pull-tab assigned to the game;
6. the time and date that the game became available for play; and
7. location where the game is being played.

b. Electronic pull-tab game report – completed game. An electronic pull-tab game report must be available on demand, for each completed game. The report must contain the following information:

1. a unique serial number identifying each game;
2. description of the game sufficient to categorize the game relative to other games;
3. the total number of electronic pull-tabs unsold;
4. the total number of electronic pull-tabs purchased;
5. the time and date that the game became available for play;
6. the time and date that the game was completed or removed from play;
7. location where game was played;
8. the final payout percentage of the game when removed from play; and
9. the purchase price per electronic pull-tab ticket assigned to the game.

c. Required format. The electronic accounting reports must be provided in a format prescribed by the Board.

20. Wireless game system (WGS). Each component of a WGS must function as indicated by the communication protocol implemented by the licensed manufacturer of the electronic pull-tab game system. All communication between the server(s) and the mobile electronic pull-tab devices must use appropriate authentication and cryptographic protocols to provide mutual authentication of the mobile unit and the server, ensuring the integrity of the data communicated, and for confidentiality, encrypting the data communicated. (Note: Each wireless gaming system as submitted to the test laboratory will be examined thoroughly to ensure that the proposed field configuration is secure and may provide additional security recommendations to maintain the integrity of the configuration.)

21. Wireless gaming security. The WGS shall be designed or programmed in such a way, that it may only communicate with authorized wireless devices using a non-broadcasting encrypted system. The WGS shall include the ability to automatically disable an electronic pull-tab device if the device goes beyond a physical property restriction at sales location.

22. Firewall protection. All communications must pass through at least one approved application-level firewall. Alternative network paths allowed if equally protected by a firewall. Firewall application must maintain an audit log of the following information and must disable all communications if repeated unauthorized access is detected:

- a. all changes to configuration of the firewall;
- b. all successful and unsuccessful connection attempts through the firewall;
- and
- c. the source and destination IP addresses, and port numbers.

23. Remote access Remote access, where permitted by the board, shall authenticate all computer systems based on the authorized settings or firewall application. The following are additional requirements:

- a. **No unauthorized remote user administration functionality.**
- b. **No unauthorized access to any database other than information retrieval using existing functions;**
- c. **No unauthorized access to the operating system; and**
- d. **Maintain an activity log that includes:**
 1. **log on name;**
 2. **time and date the connection was made;**
 3. **duration of connections; and**
 4. **activity while logged in, including the specific areas accessed and change made.**

Subp. 2. **Manufacturing standards for pull-tab dispensing devices.** Pull-tab dispensing devices used to dispense pull-tab tickets and manufactured to be sold or leased in Minnesota must have the manufacturer's name or board-registered logo, serial number, model number, and date of manufacture permanently attached to it, and conform to the following standards.

A. The electrical, electronic, and programming features of the pull-tab dispensing device must:

- (1) have an electrical power source, be protected by a surge protector, and safely withstand static electricity;
- (2) have an illuminated display of the monetary value of currency validated;
- (3) have a time and date generator to record, display on an illuminated display, and maintain, at a minimum, the last 25 instances in which the ticket door and cash compartment were opened; and
- (4) have a tamper-resistant component that contains a programming code identical to the equipment specification approved for use in Minnesota by an independent testing laboratory.

B. The column and dispensing features of a pull-tab dispensing device must comply with the following.

- (1) The pull-tab dispensing device must have dispensing columns located in a separately locking compartment and the columns must accommodate tickets of varying lengths, widths, and thicknesses.
- (2) Based on the amount of currency validated, all tickets must be accurately dispensed.
- (3) Cash or tickets may not be dispensed to pay a player for a winning ticket.
- (4) A shatterproof covering must be placed directly in front of the columns, and the pull-tab dispensing device must contain an outlet or tray to catch dispensed tickets.
- (5) The pull-tab dispensing device must have at least one player button on the front which, when pressed, activates the dispensing of a ticket.
- (6) If a malfunction occurs when the pull-tab dispensing device contains only one deal in one column, the device must become inoperable for that deal until the columns are adjusted or a new game is added.

(7) If a malfunction occurs when the pull-tab dispensing device contains more than one deal and the malfunction occurs in one of the columns containing a particular game, all of the columns containing tickets for that game must become inoperable until the malfunction is cleared.

(8) If electrical power is interrupted after currency has been validated but prior to pull-tabs being dispensed, the dollar amount of validated currency must be accurately redisplayed immediately after electrical power is restored.

(9) When tickets in a deal are dispensed from two or more columns and tickets remain in only one column, the tickets may continue to be dispensed without further splitting into multiple columns.

C. The accounting and access features must comply with the following.

(1) Accounting meters must redundantly and perpetually track the total currency validated and the total number of pull-tabs dispensed.

(2) One accounting meter must perpetually track the number of tickets dispensed from each column.

(3) Accounting meters must not be cleared, erased, or replaced unless the board is notified and has given its approval.

(4) Accounting information must be at least six numbers in length, and information must be retained for at least six months after electrical power to the pull-tab dispensing device has been disconnected or turned off.

(5) When any nonresettable accounting meter or any component essential to the secure operation is disconnected, operation must automatically discontinue.

(6) When in a test-vend or audit mode, test-vends of tickets or currency acceptances must not be recorded on the accounting meters. "Test-vend" means the intentional accepting of currency or vending of pull-tabs to properly calibrate columns to accept currency and vend pull-tabs of varying lengths, widths, and thicknesses. The pull-tab dispensing device must not perform test-vends of tickets or currency acceptances unless it is in a test-vend or audit mode and the exterior door of the pull-tab dispensing device is open.

(7) The manufacturer must not furnish more than four keys to the exterior locking door, and not more than four keys to each separate locking compartment. The keys to the cash compartment may not be the same as the keys to the cash box.

D. The electronic currency validator must:

(1) accept and validate only United States currency and be capable of preventing acceptance of known manipulations of the currency and returning invalid currency to a player;

(2) transmit the value of currency validated;

(3) ensure that tickets will not be dispensed unless the validator has accepted and retained currency;

(4) automatically discontinue accepting or validating currency if a malfunction should occur or if electrical power to the pull-tab dispensing device or currency validator is interrupted; and

(5) have at least one removable stacker box that can stack at least 600 United States currency bills or have at least one removable drop box. The box must be located in a separately locking compartment.

E. Each pull-tab dispensing device must be designed and constructed so that it can be securely attached to a floor, wall, or counter, and the appearance or design must not resemble a slot machine or other gambling device.

F. Any pull-tab dispensing device provided to a licensed distributor for demonstration purposes must be clearly and permanently marked for use as a demonstration device only.

Subp. 3. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 4. **Manufacturing standards for bingo hard cards, bingo paper sheets, bingo paper sheet packets, and sealed bingo paper sheets.** Bingo hard cards, bingo paper sheets, bingo paper sheet packets, and sealed bingo paper sheets manufactured to be sold in Minnesota must include the manufacturer's name or board-registered logo and conform to the following standards.

A. Each bingo face, including bingo paper sheets not containing preprinted numbers, may contain color variations or predetermined patterns, and must have:

(1) 25 squares of uniform size arranged in five vertical and five horizontal rows;

(2) the letters "B, I, N, G, O" preprinted above the five vertical columns, with one letter appearing above each column; and

(3) the center space marked "free."

B. Numbers that are preprinted on the bingo hard card or bingo paper sheet face must not be repeated and must correspond with the following:

(1) numbers 1 to 15 in the "B" column;

(2) numbers 16 to 30 in the "I" column;

(3) numbers 31 to 45 in the "N" column;

(4) numbers 46 to 60 in the "G" column; and

(5) numbers 61 to 75 in the "O" column.

C. The serial number and face number must be printed on each bingo sheet face.

D. Each sealed bingo paper sheet must be constructed so that the bingo face or faces is sealed to prevent revealing any part of the bingo face before the seal is opened by a bingo player, and so that all of the bingo numbers on each face cannot be determined from the outside of the sheet by using a light or by the naked eye.

E. A "bingo permutation" or "perm" means a proprietary set of an arrangement of numbers on a bingo sheet face.

Subp. 5. **Manufacturing standards for bingo number selection devices.** Bingo number selection devices manufactured to be sold in Minnesota must include the manufacturer's name or its board-registered logo and conform to the following standards.

A. Each device must ensure random selection of all 75 bingo numbers.

B. Each device must not be able to be manipulated by a person to alter the outcome of a bingo game.

C. Each device must be manufactured solely for the purpose of conducting lawful gambling.

Subp. 6. **Manufacturing standards for electronic bingo devices.** In addition to the requirements of Minnesota Statutes, section 349.12, subdivision 12a, electronic bingo devices manufactured for sale or lease in Minnesota must include the manufacturer's name or board-registered logo and conform to the following standards:

A. the number of bingo faces that may be played using a single electronic bingo device is limited to 36 per bingo game;

B. must be designed to be used solely with facsimiles of bingo paper sheets, or with corresponding bingo paper sheets;

C. may be designed to be used with facsimiles of bingo paper sheets not containing predesignated numbers, for which a player will select bingo numbers for each required pattern, and the numbers are secured and printed on the receipt at the point of sale;

D. may be designed to be used with facsimiles of bingo paper sheets for a breakopen bingo game, for which duplicate facsimiles are not allowed in a single breakopen bingo game;

E. must ensure that any other bingo faces other than those purchased by a player are not available for play on the device;

F. must not have any other games or entertainment programs stored in or on the device;

G. must not mimic or appear to be a video game of chance as defined in Minnesota Statutes, section 609.75, subdivision 8;

H. may have an audio component, in addition to a visual component, that notifies a player when a winning face has been completed, with a feature to allow an organization to activate the component;

I. must have adequate security to ensure that the device is not capable of being accessed in any manner by unauthorized personnel to change or control the program and has not been marked, defaced, tampered with, or which is otherwise intended to deceive the public or affect a person's chances of winning; and

J. must have, at a site used by an organization for the conduct of bingo, a central system that has at a minimum:

(1) dial-up capability to permit the board to remotely monitor the operation, compliance, and the internal accounting systems at any time. The internal accounting system device must maintain accounting information for at least six months;

(2) a point of sale station that prints a receipt for each sale, void, or reload that includes, at a minimum:

(a) date and time of transaction;

(b) total dollar amount of the transaction and quantity of facsimiles of bingo paper sheets or bingo paper purchased;

(c) sequential transaction number;

(d) the range of the face numbers of the facsimiles sold to the player; and

(e) if facsimiles not containing predesignated numbers are sold, the bingo numbers selected by a player; and

(3) ability to provide accounting and revenue reports as required by the board and the commissioner of revenue.

Subp. 7. **Manufacturing standards for paddletickets.** Paddletickets manufactured to be sold in Minnesota must conform to the following standards.

A. The minimum information printed on a paddleticket must include:

(1) manufacturer's name or its board-registered logo; and

(2) game serial number, which must be a minimum of five and a maximum of eight characters. The serial number must not be repeated on gambling equipment of the same type for 3-1/2 years from the date of the manufacturer's invoice to the distributor.

B. Paddletickets must be preprinted, detachable from a paddleticket card, and correspond with the colored numbers on the paddlewheel and every available wager shown by a colored number or numbers on the paddlewheel.

C. A paddleticket may not have the same numbers as any other paddleticket on the same card.

D. The serial number on each paddleticket must be identical to the serial number on the paddleticket card.

E. An individual master flare with each sealed grouping of 100 or fewer sequentially numbered paddleticket cards must include the following information on the front of the flare:

(1) manufacturer's name or its board-registered logo;

(2) same serial number as the serial number appearing on the paddleticket cards;

(3) first paddleticket card number in the group;

(4) form number;

(5) ticket count;

(6) cost per play, which may not exceed the limit under Minnesota Statutes, section 349.211, subdivision 2b; and

(7) a bar code attached or imprinted at the bottom of the master flare, with all information required by the commissioner of revenue under Minnesota Statutes, section 297E.04, subdivision 3. An extra self-adhesive bar code must be included.

F. An individual master flare for paddletickets that are used for paddlewheels with a paddlewheel table must contain the following information:

(1) all information required in item E;

(2) prizes;

(3) wagers that may be placed with a paddleticket in the group; and

(4) the odds.

Subp. 8. **Manufacturing standards for paddlewheels intended for use without a paddlewheel table.** Paddlewheels used without a paddlewheel table and manufactured to be sold in Minnesota must include the manufacturer's name or board-registered logo and conform to the following standards:

A. be a manually operated vertical wheel that operates only with a free-spinning bearing system and the contact of the pointer with pegs;

B. be marked off into equally spaced sections with each section containing a different number or number and symbol combination;

C. have protruding pegs located on the face of the paddlewheel within two inches of the outside edge and at each line which divides the paddlewheel into equally spaced sections:

(1) the pegs must be uniform in diameter and made of the same material;

(2) any two pegs may not vary by more than one-eighth inch in distance from the center of the paddlewheel shaft; and

(3) the distance between any two adjacent pegs may not vary by more than one-eighth inch from that of any two adjacent pegs; and

D. have a pointer positioned above the paddlewheel. When the wheel is spun, the pointer must strike the pegs on the wheel to bring the wheel to a final stop.

Subp. 9. **Manufacturing standards for paddlewheels intended for use with a paddlewheel table.** Paddlewheels used with paddlewheel tables and manufactured to be sold in Minnesota must include the manufacturer's name or its board-registered logo, and must conform to the following standards:

A. standards in subpart 8;

B. diameter must be at least 30 inches;

C. outer circle may contain up to 40 numbers or number and symbol combination;

D. numbers of each circle must be sequential, starting with the number one, but they may be placed randomly on that circle;

E. each circle must be divided into equally spaced sections and contain a sequential section number with the first section beginning with the number one. The section numbers may be randomly placed among the sections, but no number in the sequence may be missing or repeated. A section may also include a graphic symbol or symbols including stylized numbers. If stylized numbers are used, they must be clearly different from the type style used for the section number;

F. each circle must be of a different color to correspond with the colored numbers or number and symbol combinations of a paddlewheel table playing surface;

G. may have specially designated house numbers, or number and symbol combinations, for use with an optional odd or even bet; and

H. have colored numbers or number and symbol combinations on the paddlewheel that are at least five-eighths inch high.

Subp. 10. **Manufacturing standards for paddlewheel tables.** Paddlewheel tables used with a paddlewheel as described in subpart 9 must include the manufacturer's name or board-registered logo and conform to the following standards:

A. have a playing surface that is clearly and permanently printed with the colored numbers or number and symbol combinations that correspond to the same information of each concentric circle on the paddlewheel;

B. have a stop opening for each colored number or numbers and symbol combinations;

C. allow the placement of bets by players on the front and both sides of the table;

D. be no longer than nine feet and no wider than four feet, including the chip rail used to hold a player's paddlewheel chips;

E. be equipped with a double or triple locking removable metal drop box; and

F. have one lock that secures the drop box to the table, and at least one separate lock that secures the contents placed into the drop box. The key to each of the locks must be different from each of the other locks.

~~Subp. 10a. Manufacturing standards for programmable electronic devices. Programmable electronic devices, as defined in Minnesota Statutes, section 349.12, subdivision 18, must include the manufacturer's name or board-registered logo and conform to the following standards.~~

~~_____ A. Each device must have no effect on the outcome of a lawful gambling game.~~

~~_____ B. Each device is solely used to provide a visual or auditory enhancement of a lawful gambling game.~~

~~_____ C. Each device must not be able to be manipulated by a person to alter the outcome of a lawful gambling game.~~

Subp. 11. Prior board approval of all gambling equipment required; independent laboratory testing required for certain permanent gambling equipment. This subpart applies to board approval of gambling equipment.

A. Before the sale, lease, or distribution of any gambling equipment in Minnesota, the manufacturer must submit to the board a sample of the equipment.

(1) The submission must be in an electronic format or other format approved by the board.

(2) Samples must be received by the board on or before the 15th day of the month to ensure consideration at the board's meeting the following month. The manufacturer must include information on any equipment that will be sold or leased on an exclusive basis according to part 7864.0240, subpart 1a.

(3) The board must notify the manufacturer in writing no later than five days after a board meeting of the board's decision on whether the product is approved for sale in Minnesota. Board approval is not considered approval of the bar code required by the commissioner of revenue.

(4) For changes to the payout structure or ticket count for any approved game or for any game within a family of games, the manufacturer must assign a new game form number and submit the game to the board for approval before being offered for sale in Minnesota.

(5) For changes to flares, prize pool boards, or tickets for approved games and for changes to approved permanent gambling equipment, the manufacturer must submit the changes to the director for review and, if required by the director, the game or equipment must be submitted for review and approval by the board.

B. Pull-tab deals submitted for approval of a new family of games proposed for production or already in production but not yet approved for sale in Minnesota or new members to a previously approved family of games must include:

(1) front of the flare, prize pool board if any, ticket for each game, and any cumulative or progressive jackpot flare;

(2) inside of the ticket showing the symbols in the boxes and the win indicators;

(3) winning and losing symbols;

(4) payout structure; and

(5) for new members of a previously approved family of games, the date when that family of games was previously approved by the board.

If a game is approved by production copies, the manufacturer must submit to the board, simultaneously with the first shipment of the game into Minnesota, one complete deal of one family member to verify conformance with the previously approved production copies, and attach a high tier winning ticket and a losing ticket to a flare for all other game family members.

If the seal of a deal submitted to the board is broken or resealed to cover a broken seal, the deal will not be approved by the board.

C. Tipboards submitted for approval must consist of the following:

(1) one tipboard for each family;

(2) for a new tipboard game proposed for production or already in production but not yet approved or new members to a previously approved family of games, production copies of the tipboard, the tickets, and the numbered sign-up sheet for the seal prize; and

(3) if the tipboard is approved by production copies, the manufacturer must submit to the board, simultaneously with the first shipment of the game into Minnesota, one tipboard game for each family to verify conformance with the previously approved production copies.

D. Bingo hard cards, bingo paper sheets, bingo paper sheet packets, and sealed bingo paper sheets submitted for approval must consist of the following:

(1) a copy of the catalog or brochure illustrating that the equipment meets the standards in subpart 4; and

(2) five sheets of each color and format of sealed bingo paper sheets.

E. Paddletickets submitted for approval must consist of the following:

(1) two paddleticket cards and accompanying tickets for each series or form of paddletickets; and

(2) production copies for the master flare.

F. Permanent gambling equipment, including bingo number selection devices, electronic bingo devices, paddlewheels, paddlewheel tables, pull-tab dispensing devices, and programmable electronic devices that are submitted for approval must consist of the following:

(1) a copy of the manufacturer's catalog or brochure illustrating that the item meets board-prescribed manufacturing standards for the equipment;

(2) a description of the item and its features;

(3) the board may require the manufacturer to make the equipment available to the board for inspection; and

(4) in addition to the requirements of subitems (1) to (3), manufacturers submitting a bingo number selection device, electronic bingo device, or pull-tab dispensing device for approval must also include a certificate from an independent testing laboratory approved by the board to perform testing services, stating that the equipment has been tested, analyzed, and meets the standards required in this chapter. The board may require that a programmable electronic device must be tested and certified by an independent testing laboratory approved by the board.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 35 SR 1528*

Posted: *April 7, 2011*

7864.0240 MANUFACTURER OPERATIONS, ACCOUNTS, REPORTS, AND RECORDS.

Subpart 1. **Sales and lease restrictions and requirements.** This subpart does not pertain to gambling equipment designated for sale to an Indian tribe. In addition to the requirements of Minnesota Statutes, section 349.163, a manufacturer must comply with the following.

A. A manufacturer must be able to identify the person to whom gambling equipment is sold and provide the buyer's identity upon the board's request.

B. A manufacturer must include a copy of the invoice with each shipment of gambling equipment.

C. A manufacturer may not sell or provide a partial series of bingo paper sheets or bingo paper sheet packets.

D. The lease or sale agreement of a pull-tab dispensing device must be recorded on a form prescribed by the board. If a distributor's license is suspended, revoked, denied by the board, not renewed, or terminated, the lease agreement must be canceled.

E. For electronic bingo devices, a manufacturer must provide:

(1) a monthly sales invoice based on a predetermined lease amount; or

(2) a weekly sales invoice based on the per unit lease amount for the previous calendar week.

The lease amount must not be based on a percentage of gross receipts.

Subp. 1a. **Lawful gambling equipment sold or leased on an exclusive basis; restrictions and agreements.** This subpart pertains to gambling equipment designed or manufactured by a licensed manufacturer for sale or lease on an exclusive basis to a distributor or linked bingo game provider.

A. Gambling equipment with a proprietary name of an organization that owns its permitted premises may be sold or leased on an exclusive basis.

B. Gambling equipment with a proprietary name for a leased site may not be sold or leased on an exclusive basis.

C. To sell a specific pull-tab or tipboard game on an exclusive basis to only one licensed distributor, the manufacturer must document the terms in a valid, written exclusivity agreement. The written agreement must contain, at a minimum, the following:

(1) effective date and termination date of the agreement;

(2) escape clause, if any;

(3) the game name and form number;

(4) a statement that the game will not be sold by the manufacturer to any other distributor unless the agreement has expired or is otherwise terminated;

(5) a statement that if the agreement is terminated and the game is sold by the manufacturer to other distributors, the distributor is not entitled to any royalty or sales residuals of that game;

(6) a statement that if a distributor's license is terminated for any reason, the agreement becomes null and void, and any pull-tab or tipboard games in the distributor's inventory that were purchased or leased on an exclusive basis must be returned to the manufacturer or destroyed by the distributor. If the games are returned to the manufacturer upon termination of the distributor's license, those games may be resold by the manufacturer to other distributors; and

(7) signatures of both parties to the agreement.

This item does not apply to written agreements in effect prior to the effective date of this rule.

D. To sell or lease a specific type and model of permanent gambling equipment on an exclusive basis to only one licensed distributor or linked bingo game provider, the manufacturer must document the terms in a valid, written exclusivity agreement. The written agreement must contain, at a minimum, the following:

(1) effective date and termination date of the agreement;

(2) escape clause, if any;

(3) the type of permanent gambling equipment and model number;

(4) a statement that the permanent gambling equipment will not be sold or leased to any other distributor or linked bingo game provider unless the agreement has expired or is otherwise terminated;

(5) a statement that if the agreement is terminated and the permanent gambling equipment is sold or leased by the manufacturer to other distributors or linked bingo game providers, the distributor or linked bingo game provider is not entitled to any royalty or sales or lease residuals;

(6) a statement that if a distributor's or linked bingo game provider's license is terminated for any reason, the agreement becomes null and void, and any permanent gambling equipment in the distributor's or linked bingo game provider's inventory that was purchased or leased on an exclusive basis must be returned to the manufacturer or destroyed by the distributor or linked bingo game provider. If the

permanent gambling equipment is returned to the manufacturer upon termination of the distributor's or linked bingo game provider's license, that equipment may be resold by the manufacturer to other distributors or linked bingo game providers; and

(7) signatures of both parties to the agreement.

This item does not apply to written agreements in effect prior to the effective date of this rule.

Subp. 2. **Sales invoices and report required.** A manufacturer who sells, leases, or provides gambling equipment must electronically report the sales or leases made each month to the commissioner of revenue by the 20th of the following month, as required under Minnesota Statutes, section 297E.04. A manufacturer must record the transaction on a sales invoice containing the information required by the commissioner of revenue:

A. manufacturer's name, address, Minnesota tax identification number, federal employer identification number, and license number; and name, address, Minnesota tax identification number, federal employer identification number, and license number of the distributor or linked bingo game provider to whom the sale was made;

B. invoice number and date of shipment;

C. unit price or lease price of each item, the total amount invoiced, and for permanent gambling equipment, a description of the equipment being sold or leased, including the make, model number, and serial number;

D. statement whether the gambling equipment is designated for sale to an Indian tribe;

E. for pull-tabs and tipboards, including promotional pull-tab and tipboard tickets as defined in part 7861.0210, subpart 43, and Minnesota Statutes, section 349.12, subdivisions 18 and 31, the number of deals and a description of each pull-tab deal or tipboard, including game name, manufacturer identification, form number, part number, and serial number;

F. for sealed bingo paper sheets, the serial number and color of each set;

G. for each set of bingo paper sheet packets, the following information:

(1) color of each sheet in the packet in the order of collation;

(2) number of sheets per packet (UP's);

(3) number of faces per sheet (ON's);

(4) series; and

(5) serial number from each sheet in the packet if the serial numbers are not uniform throughout the packet. If the serial numbers are uniform throughout the packet, the serial number from the top sheet in the packet must be recorded on the sales invoice. The serial numbers may be recorded on a separate document attached to the invoice, if the invoice states that the serial number listing is attached;

H. for bingo paper sheets (case paper), the following information:

(1) color;

(2) number of sheets per case;

(3) number of faces per sheet (ON's);

(4) series; and

(5) serial number from the top sheet in the case;

I. for bingo hard cards, the price per face; and

J. for paddleticket cards:

(1) number of sealed groupings and ideal gross receipts for each sealed grouping; and

(2) for each sealed grouping of 100 or fewer sequentially numbered paddletickets, a description including the game name, manufacturer identification, form number, part number, and serial number.

Subp. 3. **Pricing and rebate reports required.** A pricing report must be filed annually in an electronic format prescribed by the director. Records of rebates must be available for director review upon demand. For each type of gambling equipment offered for sale or lease by the manufacturer, the pricing report must include:

A. manufacturer's name;

B. product code, description, and form number;

C. for pull-tabs and tipboard tickets:

(1) cost per play;

(2) ticket count;

(3) payout percent;

(4) top prize; and

(5) original and current price per ticket and per deal, and date the original and current prices were established;

D. for all other gambling equipment, the unit of measure, original and current price per unit, and date the original and current prices were established;

E. unit pricing detail must not include:

(1) shipping or handling costs;

(2) discounts, including but not limited to volume and prompt payment; or

(3) rebates;

F. adjustments for shipping, discounts, and rebates must be reported separately on the annual pricing report, are subject to review and approval or denial by the director, and include:

(1) shipping costs or handling charges, if any, which must be itemized;

(2) discounts which must be clearly defined and uniformly applied; and

(3) rebates which must be based on total dollar volume of purchases for a time period determined by the manufacturer and uniformly applied; and

G. only changes or additions to the previously filed report must be reported to the director at least two days before the date the new price will take effect. For products no longer available for sale, the current pricing must be reported as \$0.

Subp. 4. **Return of pull-tab and tipboard games; determination of defective game; credit invoice issued.** A manufacturer must accept the return of a game of pull-tabs or tipboards from a distributor if the game was not manufactured according to the standards in part 7864.0230 and take the following corrective actions.

A. For games returned before being put into play, the following apply.

(1) Within 15 business days of receiving a game from a distributor, a manufacturer must issue a credit invoice if the distributor provided written proof that the game does not meet the standards, unless the manufacturer has notified the commissioner of revenue in writing that a business dispute exists regarding the returned game. A copy of the credit invoice must be filed electronically as required by the commissioner of revenue.

(2) If the manufacturer ships a new game to replace the returned game, the manufacturer must prepare a new invoice for the new game.

(3) If the returned game was not manufactured according to the standards in part 7864.0230 and cannot be brought into compliance, the manufacturer must destroy the game. At the board's request, the manufacturer must furnish documentation stating that the game was destroyed.

B. For games returned during play or after being removed from play, the following apply.

(1) Within 15 business days of receiving a game from a distributor, the manufacturer must determine whether the game was manufactured according to the standards. The manufacturer must return the game to the distributor, who will return it to the organization to keep as a played game.

(2) Within 15 business days of determining that the game was not manufactured according to the standards, the manufacturer must issue a credit invoice to the distributor for the cost of the game, including any valid and documented losses over which the organization had no control or ability to prevent and which were reimbursed by the distributor. A copy of the credit invoice must be filed electronically as required by the commissioner of revenue.

Subp. 5. **Returned gambling equipment report required.** A manufacturer who accepts returns of gambling equipment not manufactured according to the standards in part 7864.0230 must file a report with the board no later than the 10th day of the following month. The report must be in a format approved by the board and include the following information:

A. manufacturer's name and license number, and name and license number of the distributor returning the equipment;

B. month and year of the report;

C. standards which were not met, actions taken to bring the equipment into compliance, and for pull-tab or tipboard games, a statement that the games were destroyed if they could not be brought into compliance;

D. for pull-tabs and tipboards, the number of deals and the form numbers;

E. for bingo hard cards, bingo paper sheets, bingo paper sheet packets, and sealed bingo paper sheets, the number of cases, serial number, and series number for uncollated paper;

F. for paddletickets, the number of paddleticket cards and the form number; and

G. for bingo number selection devices, electronic bingo devices, paddlewheels, paddlewheel tables, and pull-tab dispensing devices, the make, model, and serial number; and except for electronic bingo devices, the state registration stamp number attached to the equipment.

Subp. 6. **Recall of gambling equipment; credit invoices.** If a manufacturer sells gambling equipment that is not in compliance with part **7864.0230**, the board may require the manufacturer to take corrective action, including a recall, if the integrity of the game is harmed or the fair play of the game may be adversely affected. These provisions also apply to a recall initiated by a manufacturer.

A. Within three business days of receipt of notification from the board, the manufacturer must initiate the recall of gambling equipment from licensed distributors or linked bingo game providers.

B. Within 25 business days of initiating the recall, the manufacturer must complete the recall and notify the board in writing that the recall has been completed. The notification must include:

(1) an inventory listing of the gambling equipment which was returned or not returned;

(2) bar code information as required by the commissioner of revenue; and

(3) listing of all distributors or linked bingo game providers, including license numbers, from whom the gambling equipment was recalled.

C. Within 15 business days of notifying the board as required by item B, the manufacturer must issue credit invoices to distributors or linked bingo game providers for the cost of the gambling equipment returned, including any valid and documented losses over which the organization had no control or ability to prevent and which were reimbursed by distributors or linked bingo game providers. Copies of the credit invoices must be filed electronically as required by the commissioner of revenue.

D. If a recalled pull-tab or tipboard game cannot be brought into compliance with the standards, the manufacturer must destroy the game. At the board's request, the manufacturer must submit an affidavit stating that the equipment was destroyed.

Subp. 7. **Report of delinquent distributor or linked bingo game provider required.** This subpart pertains to the notice to the board that a distributor or linked bingo game provider is delinquent in payment of an invoice or lease agreement.

A. If a manufacturer has not received payment from a distributor or linked bingo game provider within 30 days of the day immediately following the date of invoice or lease agreement, the manufacturer must report the delinquency to the board in writing in an electronic format authorized by the board. The manufacturer must ensure that the board will receive the notice by the 31st day, or the next business day, after the invoice date for the sale or lease of the gambling equipment. The notice must include:

(1) the distributor's or linked bingo game provider's name and license number; and

(2) an invoice or lease agreement date, invoice number, and total dollar amount of the invoice or lease agreement.

B. If a manufacturer has not received payment in full within 60 days of its initial notice to the board, the manufacturer must notify the board of the continued delinquency. The manufacturer must ensure that the board will receive the notice on the 61st day, or the next business day, after the manufacturer's initial report to the board.

C. When the delinquency is paid, the manufacturer must notify the board immediately.

D. Upon receipt of the initial notice under item A, the board must:

(1) notify and direct the distributor or linked bingo game provider to eliminate the delinquency; and

(2) notify all manufacturers that until further notice they may only sell or lease gambling equipment to the delinquent distributor or linked bingo game provider on a cash basis. "Cash" means a debit card payment, check, electronic transaction, money order, or cashier's check.

E. Upon receipt of the second notice under item B, the board must notify:

(1) the distributor or linked bingo game provider that the sale and lease of gambling equipment to the distributor or linked bingo game provider will not be authorized until the delinquency is eliminated; and

(2) all manufacturers that they may not sell or lease any gambling equipment to the delinquent distributor or linked bingo game provider.

F.

When the board has been notified that the delinquency is paid in full, the board must notify all manufacturers that the delinquency has been paid and that the sale or lease of gambling equipment to the distributor or linked bingo game provider is authorized.

G.

Until authorized by the board, a manufacturer may not extend credit or sell or lease gambling equipment to a distributor or linked bingo game provider in violation of an order under items D and E.

Subp. 8. **Examination of books and records.** The board, the commissioner of revenue, or the commissioner of public safety or their agents may examine the books and records of any manufacturer without notice at any time during normal business hours.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 35 SR 1528*

Posted: *April 7, 2011*

7865.0210 COMPLIANCE REVIEW GROUP.

Subpart 1. **Establishment of compliance review groups.** The chair of the board must appoint at least one panel consisting of at least three board members to serve as a compliance review group. Compliance review groups will meet as necessary to exercise the powers and duties granted to them by subpart 2.

Subp. 2. **Powers and duties of compliance review groups.** Each compliance review group:

A. may meet as necessary to consider alleged violations of laws or rules related to lawful gambling by persons or entities licensed under Minnesota Statutes, chapter 349;

B. may direct the director to initiate investigations of persons or entities licensed under Minnesota Statutes, chapter 349, for the purpose of determining whether laws or rules related to lawful gambling have been violated;

C. may require any person or entity licensed under Minnesota Statutes, chapter 349, to appear before it to discuss alleged violations of laws or rules related to lawful gambling;

D. may conduct hearings according to this subpart and require any person or entity required to appear to participate in a prehearing conference prior to the appearance. The prehearing conference may occur at the board office, or by means of a telephone conference call or other electronic method;

E. may propose, negotiate, and enter into consent orders with licensees to resolve any violations of laws or rules related to lawful gambling;

F. may recommend to the board that it take disciplinary action against a person or entity licensed under Minnesota Statutes, chapter 349;

G. may recommend to the board that it summarily suspend a license under Minnesota Statutes, section 349.1641;

H. may initiate and recommend any other proceedings necessary to ensure that violations of the laws and rules related to lawful gambling are detected and addressed appropriately; and

I. must consider the following factors in negotiating the terms of a consent order, which may include the term and length of any suspension or revocation of a license or premises permit issued under Minnesota Statutes, chapter 349, the amount of a fine or civil penalty, reimbursement to the gambling account, and corrective action required to be taken by the licensee:

(1) the severity of the conduct as indicated by the potential harm to the integrity of lawful gambling;

(2) the culpability of the violator;

(3) the frequency of the violator's failure to comply with the laws or rules;

(4) the actual harm caused to the integrity of lawful gambling;

(5) the likelihood that the violation will occur again;

(6) the degree of the violator's cooperation during the course of the investigation into the violator's activities, including self-reporting for noncompliance of laws or rules; and

(7) any other factor related to the violation that is considered crucial to the determination of the terms of the consent order as long as the same factors are considered with regard to all violators.

This item also pertains to proposed fines issued by the director.

Subp. 3. **Definitions.** The following terms have the meanings given them in this chapter.

A. "Suspension" means that the licensee keeps its license or premises permit, even though its conduct of lawful gambling in Minnesota must stop during the time of suspension.

B. "Revocation" means that the license or premises permit is terminated on the effective date of revocation.

C. "Complete change of ownership" means that when a violation occurred a person who was the lessor or owner of a site, an immediate family member of a lessor or owner, a person residing in the same household as an owner or lessor, or who otherwise held a direct or indirect financial interest of five percent or more in the site is currently not:

- (1) a lessor or owner of the site;
- (2) an immediate family member of the new lessor or owner of the site;
- (3) a person residing in the same household as a lessor or owner of the site; or
- (4) a holder of a direct or indirect financial interest of five percent or more in the site.

An appropriately recorded contract for deed does not constitute a prohibited direct or indirect financial interest. The existence of a complete change of ownership is an affirmative defense of an organization that has, or is applying for, a premises permit for the site.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: *April 7, 2011*

7865.0220 SUSPENSIONS OR REVOCATIONS OF LICENSES OR PERMITS.

Subpart 1. **Factors considered for suspension or revocation of license or premises permit.** In negotiating the terms and length of any suspension or revocation of a license or premises permit issued under Minnesota Statutes, chapter 349, the compliance review group must consider the factors in part **7865.0210**, subpart 2, item I, and Minnesota Statutes, section **349.155**, subdivision 4.

Any grounds for denial of a license or premises permit are also grounds for suspension or revocation of a license or premises permit.

Subp. 2. **Suspension or revocation of organization license for illegal gambling.** Under Minnesota Statutes, section **349.155**, subdivision 4a, paragraph (b), the board must suspend or revoke an organization's license if the organization's chief executive officer, gambling manager, or one or more of its assistant gambling managers participated in or authorized the illegal gambling prohibited by part **7861.0260**, subpart 1, item H.

Subp. 3. **Suspension or revocation of premises permit for illegal gambling.** When the board has determined that a violation of part **7861.0260**, subpart 1, item H, has occurred based on Minnesota

Statutes, section 349.155, subdivision 4a, paragraph (a), clauses (1) and (2), the board must suspend or revoke an organization's premises permit as follows.

A. For the first violation of part 7861.0260, subpart 1, item H, at a site, the board must suspend each premises permit for the site for up to 90 days from the date of the board's final resolution or determination on the violation. An organization may not pay rent for the site during the term of the suspension. When suspending an organization's premises permit, the board must consider the following factors:

- (1) whether the organization notified the lessor, in writing, that illegal gambling was being conducted on the premises, giving specific information regarding the conduct of the illegal gambling, and requesting that the lessor take appropriate action;
- (2) whether the organization, or any of its agents, knew that the game or device that violated part 7861.0260, subpart 1, item H, was used, or was designed to be capable of being used, in a manner that causes illegal gambling or violates part 7861.0260, subpart 1, item H, or Minnesota Statutes, section 609.75;
- (3) the degree to which the organization cooperated with law enforcement authorities, the Department of Public Safety Gambling Enforcement Division, or the board;
- (4) whether the organization or any of its agents participated in the illegal gambling; and
- (5) the nature or severity of the violation.

B. For the second violation of part 7861.0260, subpart 1, item H, at a site, the board must suspend each premises permit for the site for two years from the date of the board's final resolution or determination on the violation. An organization may not pay rent for the site during the term of the suspension. If a complete change of ownership occurred between the first and second violations, the second violation is considered a first violation and the board must suspend each premises permit for the site for up to 90 days according to item A and must prohibit any organization from paying rent during the term of the suspension.

C. For the third violation of part 7861.0260, subpart 1, item H, at a site, the board must revoke each premises permit for the site for a minimum period of five years from the date of the board's final resolution or determination on the violation. Revocation must continue until a complete change of ownership occurs after the third violation. No organization may obtain a premises permit for the site during the term of the revocation. If a complete change of ownership occurred between the second and third violations, the third violation is considered a first violation and the board must suspend each premises permit for the site for up to 90 days according to item A and must prohibit any organization from paying rent for the site during the term of the suspension.

If the licensee does not enter into a consent order with the board according to the provisions of this subpart, and part 7865.0210, subpart 2, item I, the suspension or revocation of a premises permit is a contested case under Minnesota Statutes, chapter 14.

Statutory Authority: MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211

History: 31 SR 1239; 35 SR 1276

Posted: April 7, 2011

7865.0225 REIMBURSEMENTS TO GAMBLING BANK ACCOUNT.

The board may require an organization to deposit funds from a nongambling source into the organization's gambling bank account to reimburse the account as required under part 7861.0320, subpart 5. If the licensee does not enter into a consent order with the board according to this part and part 7865.0210, subpart 2, item I, the reimbursement is a contested case under Minnesota Statutes, chapter 14. In determining the reimbursement to be required after a contested case hearing, the board must consider the factors in part 7865.0210, subpart 2, item I.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276*

Posted: *April 7, 2011*

7865.0230 FINES AND OTHER SANCTIONS.

Subpart 1. **Imposition of civil fine by board.** The board may impose a civil fine upon any licensee for violation of the following:

- A. any provision of Minnesota Statutes, sections 349.11 to 349.23;
- B. any provision of Minnesota Statutes, chapter 297E;
- C. any rule adopted by the board; or
- D. any order issued by the board.

The civil fine may not exceed any amount authorized in Minnesota Statutes, chapter 349. In determining the amount of the fine to be imposed, the board must consider the factors in part 7865.0210, subpart 2, item I.

Subp. 2. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 3. **Imposition of proposed fine by director; payment or appeal of fine by licensee required.** This subpart applies to a proposed fine issued by the director.

A. The director may issue to any licensee a proposed fine, determined according to the factors in part 7865.0210, subpart 2, item I, on a citation form prescribed by the board.

B. Within 30 calendar days of receiving the citation, the licensee must:

- (1) pay the proposed fine; or
- (2) appeal the proposed fine to the board. If the licensee decides to appeal the proposed fine, the provisions of subpart 4 apply.

C. If the licensee fails to pay or appeal the proposed fine within 30 calendar days, the licensee may be subject to further disciplinary action by the board.

Subp. 4. **Appeal from licensee of proposed fine by director.** The following apply to an appeal from a licensee of a proposed fine issued by the director under subpart 3.

A. An appeal must contain the licensee's name, the date the citation was issued, the amount of the proposed fine, and the reasons why the proposed fine should not be paid.

B. Upon receipt of an appeal, the director must review any new information provided by the licensee and determine whether the proposed fine should be rescinded or revised, or the appeal should be referred to the compliance review group. If the director determines that the proposed fine should not be rescinded or revised, the appeal must be referred to the compliance review group for a hearing. Within ten days of the receipt of an appeal, the compliance review group must schedule a hearing.

C. The licensee may be represented by counsel and present documents and other evidence to support its position.

D. Within ten days of the hearing date, the compliance review group must issue an order recommending to the board whether a civil fine should be imposed. If the compliance review group determines that a civil fine should be imposed, the order must contain a recommendation for the amount of the fine.

E. The board must act on the recommendation at its next regularly scheduled meeting.

F. Within ten days of acting on the matter, the board must issue an order including findings of fact and conclusions of law. The order is a final agency decision.

Subp. 5. **Payment of fine from gambling gross receipts prohibited.** A licensed organization may not use gambling gross receipts to pay a fine imposed by the board or director and must pay a fine from a nongambling source of funds.

Subp. 6. **Consequences of failure to correct violations.** Failure to correct the violation for which the fine was imposed is grounds for the suspension or revocation of a license.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 35 SR 1528*

Posted: *April 7, 2011*

7865.0240 STAYS OF IMPOSITION FOR SUSPENSION, REVOCATION, OR CIVIL FINE.

Subpart 1. **Entitlement.** A licensee that is subject to a board order for a suspension or revocation or a civil fine is entitled to a stay of imposition of that sanction upon filing an appeal to the Court of Appeals. A licensee is not entitled to a stay of imposition if the board determines that the potential or actual harm to the public and the integrity of lawful gambling resulting from the grant of such a stay would exceed the harm to the licensee from the denial of such a stay.

Subp. 2. **Procedure.** This subpart applies to requests for stays of impositions of sanctions:

A. A licensee seeking a stay according to subpart 1 must file a written request with the board. The request must contain:

(1) a copy of the licensee's appeal to the Court of Appeals and proof that the appeal has been filed with the Court of Appeals;

(2) a brief statement describing why the harm the licensee would suffer from the denial of a stay exceeds the potential or actual harm to the public and the integrity of lawful gambling that would result from the grant of a stay; and

(3) a copy of the order issued by the board imposing the sanction the licensee seeks to have stayed.

B. Any request for a stay complying with item A must be considered by the chair of the board according to subpart 1.

(1) The chair must respond to the applicant in writing within five days, excluding Saturdays, Sundays, and holidays, of the date the application is received by the board.

(2) The chair must grant or deny the stay and explain the reasons for the decision.

(3) The chair's decision represents the official board response to the request until the board is able to consider the request according to item C.

C. Any request for a stay must be considered by the board after initial consideration and response by the chair.

(1) If the chair has granted the licensee's request for the stay, the board must consider the request at its next regularly scheduled meeting.

(2) If the chair has denied the request, the chair must call a special board meeting to consider the licensee's request for a stay. The special meeting must be held no later than ten days after the chair has issued a written response to the request.

(3) When the board considers the request for a stay, it must grant or deny the stay according to subpart 1 and issue a written order containing its decision and the reasons for the decision within five days of the date it considers the request. The board's decision is considered a final agency action.

Statutory Authority: *MS s 14.055; 349.151; 349.154; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239*

Posted: *April 7, 2011*

7865.0250 VARIANCES TO BOARD RULES.

Subpart 1. **Variance request submitted to board.** A licensee may request a variance from a rule pertaining to lawful gambling.

A. The request must contain:

(1) the information required by Minnesota Statutes, section **14.056**, subdivision 1; and

(2) the estimated fee as determined by the board in agreement with the licensee according to Minnesota Statutes, section **14.056, subdivision 2**, paragraphs (a), clause (2), and (b).

B. The board may not consider a variance request that seeks:

(1) relief from a civil fine or disciplinary action imposed under this chapter;

- (2) an ongoing variance of a rule;
- (3) relief from a requirement imposed by lawful gambling statute; or
- (4) a variance on behalf of other licensees.

Subp. 2. **Procedure for variance requests.** In addition to the requirements of Minnesota Statutes, section 14.056, the board must approve or deny a variance request according to the following procedures:

A. Upon receipt of a variance request, the board must notify the requesting licensee of the time, date, and place of the board meeting at which the variance will be considered. The board will consider variance requests during its regularly scheduled monthly meeting.

B. The board may request the licensee to submit additional information regarding the variance request, or to appear before the board to provide additional information. If the board determines that the licensee must appear before the board, the board must provide advance notice to the licensee before the board meeting at which the variance request is considered. This procedure is not a contested case hearing as defined in Minnesota Statutes, chapter 14.

C. If the licensee requesting the variance fails to follow the procedures in this part, the provisions of Minnesota Statutes, section 14.056, or fails to appear before the board when requested, the board must deny the variance request.

Subp. 3. **Criteria for approving and denying variance requests.** The board may approve a variance from any of its rules if it finds that all of the following criteria have been met:

A. strict application of the rule would cause undue and substantial hardship to the licensee applying for the variance;

B. approving the variance does not confer a benefit on the licensee which is not enjoyed by other licensees similarly situated;

C. approving the variance does not substantially impair the intent and purposes of the board's rules;

D. the variance can be approved without impacting the integrity of lawful gambling, or the public health, safety, or welfare;

E. approving the variance does not allow violation of Minnesota Statutes, chapter 297E, 299L, or 349; and

F. the variance is for a onetime variance for the licensee, not an ongoing variance of the rule.

Statutory Authority: MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211

History: 31 SR 1239; 35 SR 1276

Posted: April 7, 2011

7865.0260 HEARINGS AND APPEALS OF INCOMPLETE OR DENIED LICENSE AND PERMIT APPLICATIONS.

Subpart 1. **Appeal of denial or determination; application fees.** An applicant may appeal the denial of an application pertaining to a license or permit according to the procedures in this part. All fees submitted with a license or permit application are considered earned and are not refundable.

Subp. 2. **Appeal of denial of application.** The denial of an application may be appealed by an applicant.

A. To appeal the denial, the applicant must file a written request with the board within 15 days of receiving the notice that the application has been denied. The request must contain a complete copy of the application and a statement describing the reasons the license or permit should not be denied. The appeal is not a contested case under Minnesota Statutes, chapter 14.

B. The board must refer the appeal to the executive committee. The executive committee must review the appeal within ten days of receipt and issue a written decision within ten days of its consideration of the appeal. If the committee reverses the denial, the license or permit must be issued effective the first day of the month following the committee's written decision. The executive committee's decision is a final agency decision.

Subp. 3. [Repealed, 35 SR 1276; 35 SR 1528]

Subp. 4. **Contested case hearing for denial of renewal application.** A licensed distributor, linked bingo game provider, or manufacturer may appeal the denial of a renewal application.

A. To appeal the denial, the licensee must file a written request for a contested case hearing with the board within 15 days of receiving notice that the application has been denied.

B. Upon receipt of the request, the board must schedule a contested case hearing before an administrative law judge under Minnesota Statutes, chapter 14.

C. The hearing must be held no later than 30 days after the board receives the request for the hearing unless the licensee and the board agree on a later date.

D. If the licensee fails to appear at the hearing after having been notified of it, the licensee is considered in default and the proceeding may be determined against the licensee on consideration of the written notice of denial, the allegations of which may be considered to be true.

E. The board must issue its final decision within 30 days after receipt of the administrative law judge's report and subsequent exceptions and argument under Minnesota Statutes, section [14.61](#). The board may enter an order making the disposition that the facts require.

F. If no hearing is requested within 30 days of the service of the notice, the denial becomes final.

Statutory Authority: *MS s 14.055; 349.12; 349.151; 349.154; 349.155; 349.16; 349.162; 349.163; 349.1635; 349.165; 349.166; 349.167; 349.169; 349.17; 349.1711; 349.1721; 349.173; 349.19; 349.191; 349.211*

History: *31 SR 1239; 35 SR 1276; 35 SR 1528*

Posted: *April 7, 2011*